

OFFICIAL STATEMENT

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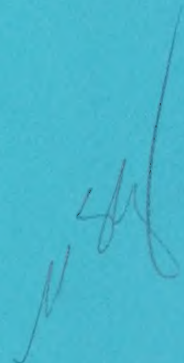
NOV 20 1979

UNIVERSITY OF CALIFORNIA

**San Diego Unified School District
Public School Building Corporation
San Diego County, California**

**\$7,400,000 Principal Amount
Bonds of Series D**

Bids to be received by the Corporation at 10:00 A.M., Tuesday, December 4, 1979, at the San Diego Unified School District Education Center, Second Floor Conference Room, Room 2249, 4100 Normal Street, San Diego, California 92103.



OFFICIAL STATEMENT

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION SAN DIEGO COUNTY, CALIFORNIA

\$7,400,000 PRINCIPAL AMOUNT BONDS, SERIES D

Mr. Charles W. Patrick, <i>President</i>	Mr. Jess R. Macias, <i>Director</i>
Miss Pauline des Granges, <i>Vice President</i>	Mr. Arthur H. Marston, Jr., <i>Director</i>
Dr. J. J. Kimbrough, <i>Treasurer</i>	Mr. John R. Schell, <i>Director</i>
Mr. Rolf Haas, <i>Secretary</i>	

San Diego Unified School District Board of Education

Mr. John Witt, <i>President</i>	
Mrs. Yvonne W. Larsen, <i>Vice President</i>	Dr. Philip Halfaker, <i>Member</i>
Mrs. Dorothea Edmiston, <i>Member</i> ^①	Rev. George W. Smith, <i>Member</i> ^①
Mr. Bob Filner ^②	Mr. Joe O. Littlejohn, <i>Member</i> ^②

① Term Expires December 3, 1979

② Elected November 6, 1979 to a Four-Year Term

ADMINISTRATIVE STAFF

Dr. Thomas L. Goodman, *Superintendent*
Mr. Charles T. Glenn, *Deputy Superintendent, Administration*
Dr. Ralph Patrick, *Deputy Superintendent, Operations*
Mr. Ronald Oakes, *Controller*
Mr. Ralph D. Stern, *Schools Attorney*

PROFESSIONAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco, California*
Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco, California*
Financing Consultants

California First Bank, *San Diego, California*
Trustee

The Chase Manhattan Bank N.A., *New York, New York*
Paying Agent

Continental Illinois National Bank and Trust Co., *Chicago, Illinois*
Paying Agent

United California Bank, *Los Angeles, California*
Paying Agent

United California Bank, *San Francisco, California*
Paying Agent

THE DATE OF THIS OFFICIAL STATEMENT IS NOVEMBER 7, 1979

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TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$7,400,000 principal amount of the Series D Bonds proposed to be issued by the San Diego Unified School District Public School Building Corporation.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the Corporation and the San Diego Unified School District, which firm will receive compensation from the Corporation contingent upon the sale and delivery of the Bonds.

This Official Statement is not to be construed as a contract with the purchasers of the Series D Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The agreements of the Corporation with the purchasers of the Bonds are set forth in the Indenture, as supplemented. That document will be available to any prospective investor in the Bonds. Reference is hereby made to that document for a complete statement of the rights and obligations of the Corporation and holders of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Corporation will deliver to the purchaser of the Bonds a certificate signed by an official of the San Diego Unified School District, dated the date of bond delivery, stating that as of the date hereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. 200 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose.

The opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Corporation, will be furnished to the successful bidder (see the section entitled "Legal Opinion" herein.) The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections entitled "Site Lease (Project Phase IV)", "Facility Lease (Project Phase IV)", and "The 1975 Indenture and the Fourth Supplemental Indenture Thereto".

Dated November 7, 1979

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC
SCHOOL BUILDING CORPORATION

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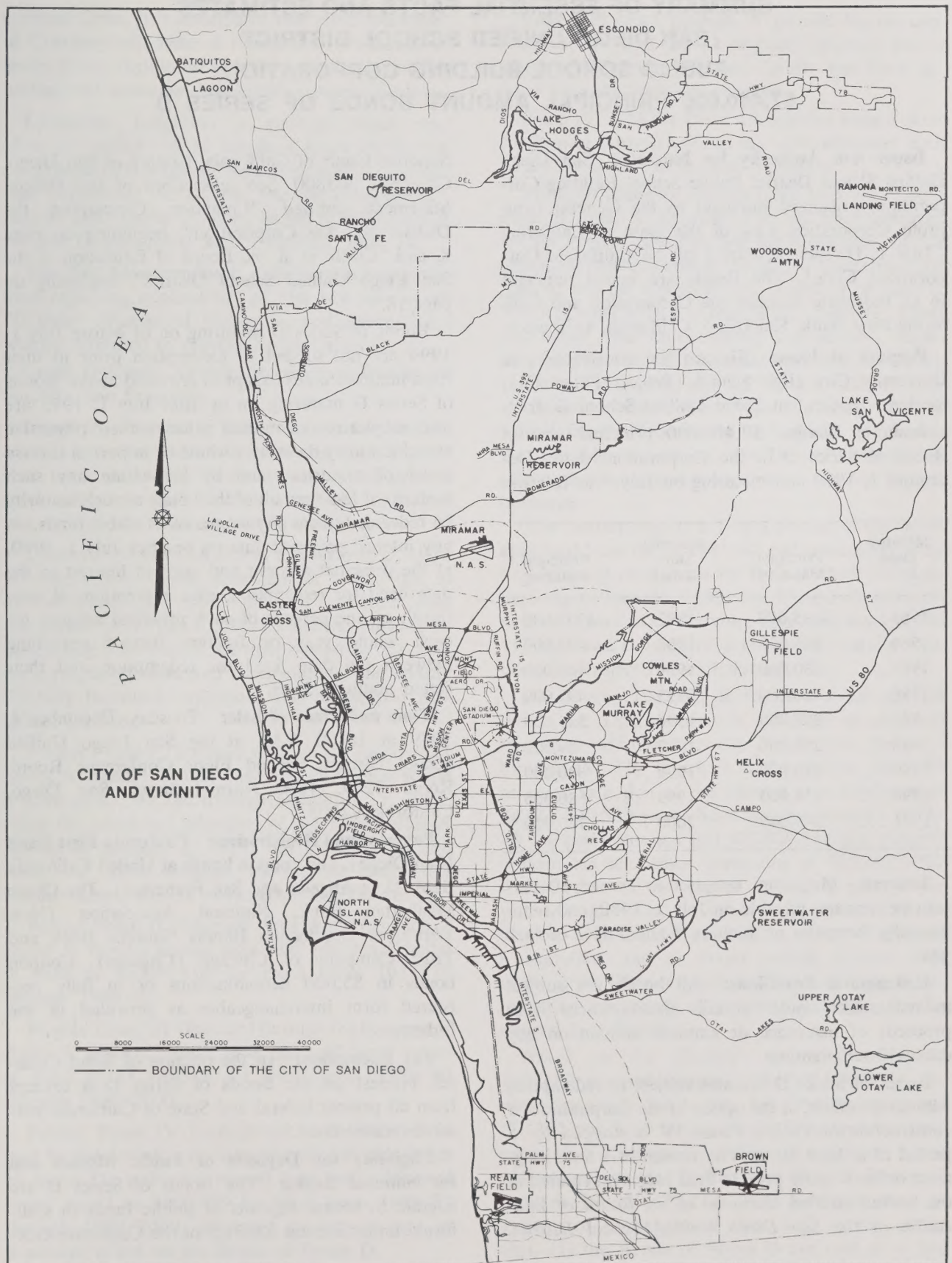
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SUMMARY OF ESSENTIAL FACTS AND ESTIMATES
SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION
\$7,400,000 PRINCIPAL AMOUNT BONDS OF SERIES D

Issuer and Authority for Issuance: San Diego Unified School District Public School Building Corporation, organized pursuant to the General Non-profit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code). The Bonds are issued pursuant to an Indenture between the Corporation and California First Bank, San Diego, California, as Trustee.

Purpose of Issue: Finance the construction of University City High School (Project Phase IV), for lease to the San Diego Unified School District.

Issue of Bonds: \$7,400,000 principal amount Bonds of Series D of the Corporation, dated December 1, 1979 and maturing on July 1 as follows:

Maturity Date July 1	Principal Maturing	Maturity Date July 1	Principal Maturing
1983 ...	\$195,000	1992 ...	\$395,000
1984 ...	215,000	1993 ...	425,000
1985 ...	230,000	1994 ...	460,000
1986 ...	250,000	1995 ...	495,000
1987 ...	270,000	1996 ...	535,000
1988 ...	290,000	1997 ...	580,000
1989 ...	310,000	1998 ...	630,000
1990 ...	335,000	1999 ...	680,000
1991 ...	365,000	2000 ...	740,000

Interest: Maximum rate not to exceed 10 percent per annum, payable on July 1, 1980, and semi-annually thereafter on January 1 and July 1 of each year.

Redemption Provisions: All bonds are subject to redemption under certain circumstances from proceeds of insurance or eminent domain on any date without premium.

Bonds of Series D are also subject to redemption without premium, at the option of the Corporation, if construction of Project Phase IV is stopped for a period of at least 30 days by reason of a final judgment or court order prior to final judgment entered in the lawsuit entitled *Carlin et al. vs. Board of Education of the San Diego Unified School District*,

Superior Court of California, County of San Diego, Case No. 303800. See subsections of this Official Statement entitled "Litigation Concerning the District and the Corporation", beginning on page 8, and "Carlin et al. vs. Board of Education of the San Diego Unified School District", beginning on page 18.

Bonds of Series D maturing on or before July 1, 1994 are not subject to redemption prior to their fixed maturity dates except as provided above. Bonds of Series D maturing on or after July 1, 1995 are also subject to redemption prior to their respective stated maturity dates as a whole or in part in inverse order of maturities and by lot within any such maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after July 1, 1990, at the principal amount and accrued interest to the date fixed for redemption, plus a premium of one-fourth of one percent of such principal amount for each whole year or fraction thereof remaining between the date fixed for redemption and their stated maturity dates.

Time and Place of Sale: Tuesday, December 4, 1979 at 10:00 A.M. at the San Diego Unified School District, Second Floor Conference Room, Room 2249, 4100 Normal Street, San Diego, California 92103.

Payment and Registration: California First Bank (San Diego), and coupon bonds at United California Bank (Los Angeles and San Francisco), The Chase Manhattan Bank, National Association (New York), or Continental Illinois National Bank and Trust Company of Chicago (Chicago). Coupon bonds in \$5,000 denominations or in fully registered form interchangeable as provided in the Indenture.

Tax Exemption: In the opinion of Bond Counsel, interest on the Bonds of Series D is exempt from all present federal and State of California personal income taxes.

Eligibility for Deposits of Public Monies and for National Banks: The Bonds of Series D are eligible to secure deposits of public funds in California under Section 53651.5 of the California Gov-

ernment Code. It is anticipated that the Comptroller of Currency will issue a ruling that the Bonds of Series D are eligible for purchase, dealing in, underwriting and unlimited holding by national banks.

Litigation: Litigation is pending which may affect the security of the Bonds of Series D. See the subsections of this Official Statement entitled "Litigation Concerning the District and the Corporation", page 8, and "Carlin et al. vs. Board of Education of the San Diego Unified School District", page 18.

Blue Sky Memorandum: Information memorandum regarding applicability of blue-sky laws in all 50 states, District of Columbia, and Puerto Rico will be furnished to prospective purchasers.

Legal Opinion: Orrick, Herrington, Rowley & Sutcliffe, San Francisco.

Security: Payment of Bond interest and principal secured by a first and exclusive charge upon District base rental payments. Rental payments are general fund obligations and District covenants to budget and appropriate necessary funds each year.

District is empowered to levy a November 5, 1974 voter-approved annual lease tax at a rate not to exceed \$0.383 per \$100 assessed valuation over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing 22 fully furnished, equipped, and landscaped new school facilities.

Project Phase I (financed through the issuance of Series A Bonds) annual base and additional rental is fixed at \$3,349,280 through December 15, 1986. After the scheduled refunding of the 1975 Series A Bonds on January 1, 1987, the annual base and additional rental through 1999/2000 under this Facility Lease will be reduced to \$3,091,310.

Project Phase II (financed through the issuance of Series B Bonds) annual base and additional rental is fixed at \$3,629,336 for fiscal years 1977/78 through 1994/95.

Project Phase III (financed through the issuance of Series C Bonds) annual base and additional rental is fixed at \$1,396,518 for fiscal years 1979/80 through 1999/2000.

Project Phase IV (anticipated to be financed in part by the issuance of the currently offered Bonds of Series D) estimated annual base and additional rental would be \$800,089 for fiscal years 1982/83 through 1999/2000, assuming an interest rate of 8 percent is bid on the Bonds of Series D.

Project Phases I through IV provide for the construction of 21 of the 22 originally planned school facilities. The twenty-second facility has been deleted from the District's program.

Since 1975/76 the District has levied annual taxes for Project purposes within the voter-approved limit of \$0.383 per \$100 assessed valuation.

Principal source of District funds to continue payment of rental is expected to be the voter-approved tax for Project purposes. See the subsections of this Official Statement entitled "Litigation Concerning the District and the Corporation", beginning on page 8, "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation", beginning on page 10, "Government Spending Limitation Initiative" beginning on page 13, and "Carlin et al. vs. Board of Education of the San Diego Unified School District," beginning on page 18, relative to the possible impact on the District's continuing ability to levy the voter-approved tax for Project purposes.

The District expects to levy a portion of the voter-approved lease tax in 1981/82 and subsequent years to pay rental obligations for Project Phase IV commencing on June 15, 1982. The District also expects to levy a portion of the voter-approved lease tax in 1980/81 and subsequent years to pay rental obligations for Project Phases I through III.

Fiscal year 1982/83 is the first fiscal year in which the District will be obligated to pay full base and additional rentals for Project Phases I through IV. The District's staff estimates 1982/83 assessed valuation of the District at a minimum of \$4,085,000,000 on the basis that the District's 1979/80 assessed valuation (\$3,873,439,258 less redevelopment tax allocation increments of \$23,692,502) will increase at the rate of at least 2 percent per year to compensate for inflation as permitted under Section 2(b) of Article XIII A of the California Constitution, and no major natural disasters will occur in the District which would cause a significant reduction in values of property damaged or destroyed in a disaster.

Based on the District's estimated minimum 1982/83 assessed valuation (\$4,085,000,000), the voter-approved lease tax for Project purposes (\$0.383 per \$100 assessed valuation) provides coverage of 1.67 times the estimated aggregate rental obligations of the District for Project Phases I through IV (\$9,175,223). The coverage ratio is anticipated to be greater than 1.67 to the extent that: (1) the Bonds of Series D are sold at a rate

less than 8 percent, and (2) the District's assessed valuation increases between 1979/80 and 1982/83 at a rate greater than 2 percent due to (a) new construction undertaken in the District from March 1, 1979 through March 1, 1982, and (b) changes in ownership of properties.

See protective provisions in the subsections entitled "Carlin et al. vs. Board of Education of the San Diego Unified School District", on page 18, and "Funds and Documents Deposited With Trustee", on page 21 in the event construction of Project Phase IV is stopped for a period of at least 30 days by reason of a final judgment or court order prior to final judgment entered in the lawsuit entitled *Carlin et al. vs. Board of Education of the San Diego Unified School District*.

Other Protective Provisions of Series D Bonds:

(1) Reserve equal to maximum annual debt service created from bond proceeds; (2) interest funded from bond proceeds through January 1, 1982, or approximately four months beyond the scheduled completion date of September 1, 1981; (3) firm construction bids have been received with 100% faithful performance and 100% labor and material-men's bonds; (4) construction contract contains provision for liquidated damages of \$3,800 per day for each unexcused day of delay after the fixed completion date of December 1, 1982; and (5) insurance protection includes fire and extended coverage for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject

to a deductible clause not to exceed \$100,000 for any one loss; earthquake insurance to be maintained by the contractor during the construction period, and after completion, to be maintained by the District if such insurance is available on the open market from reputable insurance companies, for not less than full replacement cost of the facilities or sufficient to pay Bonds (subject to a deductible clause not to exceed 10 percent of replacement cost for any one loss); rental interruption insurance equal to time required to construct structure plus three months, less a 30-day deductible; public liability and property damage insurance (first \$100,000 being self-insurance of District); and a policy of title insurance in the amount of the Bonds insuring the Corporation's interest in the site upon which facilities are to be located.

District Financial Data: Five year history shows: (1) decrease in average daily attendance from 126,360 in 1974/75 to 113,209 in 1978/79, (2) growth in assessed valuation from \$2,520,473,747 in 1975/76 to \$3,873,439,258 in 1979/80, and (3) current tax collection delinquencies averaged 2.38 percent.

Direct and Net Direct and Estimated Overlapping Debt. Upon delivery of the Corporation's Bonds of Series D currently being offered for sale, the total of the Corporation's and District's direct debt will be \$114,729,661 or 2.98% of assessed valuation. Net direct and estimated overlapping debt will be 5.67% of assessed valuation.

ALL OF THE TERMS OF THIS SUMMARY OF ESSENTIAL FACTS AND ESTIMATES ARE SUBJECT TO THIS OFFICIAL STATEMENT AND THE OFFICIAL NOTICE OF SALE OF THE BONDS.

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION

Organization and Membership

The San Diego Unified School District Public School Building Corporation, herein referred to as the "Corporation", was formed in December 1974, as a nonprofit corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1, of the California Corporations Code). The purpose of the Corporation is to provide financial assistance to the San Diego Unified School District, San Diego County, California, herein referred to as the "District", by financing the acquisition, construction, improvement and remodeling of public school buildings and facilities for the District.

The Corporation functions as an independent entity and its policies are determined by a nine-member Board of Directors who are community leaders and residents of the District. The corporate directors receive no compensation for work or service performed as corporation directors. All staff work is done by the district staff or by consultants to the Corporation since the Corporation has no employees.

The members of the Board of Directors are:

President: Charles W. Patrick, Deputy Superintendent of the San Diego Community College District (1971-1974). Mr. Patrick served as a member of the President's National Advisory Council on Vocational Education; Commissioner, California Apprenticeship Council; President, National Council of Local Administrators of Vocational Education; and member of the Board of Directors of the American Technical Education Association.

Vice President: Pauline des Granges, Park and Recreation Director of the City of San Diego (1972-1974). Miss des Granges, an active participant in park and recreation professional organizations at the local, state and national levels, has

served as: Director, American Park and Recreation Society; President, California Recreation Society; President, Recreation Department, League of California Cities; and delegate to the President's National Conference on Youth Fitness and White House Conference on Children and Youth.

Treasurer: Dr. J. J. Kimbrough, Past President and Secretary of the California State Board of Dental Examiners. Dr. Kimbrough has served as: President, San Diego Urban League; President, San Diego Branch of the N.A.A.C.P.; and a member of the Board of Directors of the Community Welfare Council, Downtown City Y.M.C.A., San Diego County Dental Society, and California Children's Home Society.

Secretary: Rolf Haas, insurance agent, long active in civic affairs, served on the Executive Board of the San Diego/Imperial Counties Labor Council, AFL-CIO and the Civil Service Commission, City of San Diego. Mr. Haas has also served as: President, Family Association of San Diego; and Chairman, Scenic Highways Element, San Diego County Planning Commission.

Director: Jess R. Macias, Group Engineer, Teledyne Ryan Corporation. Mr. Macias is serving the National Alliance of Businessmen in developing programs to increase job opportunities for minorities in San Diego. Mr. Macias holds the offices of President of the Spanish Speaking Political Association and President of Amigos de SERS. In educational matters, Mr. Macias has served on the San Diego Diocesan Board of Education and the University High School's Advisory Committee on Compensatory Education.

Director: Arthur H. Marston, Jr., a former Vice President, Broadway Department Stores. Mr. Marston, a San Diego merchant from 1932 to 1976, has served as President of San Diegans, Inc., a citizens' planning organization involved in the rehabilitation of the San Diego central business district; and Director, San Diego Chamber of Commerce.

Director: John R. Schell, attorney, partner in the San Diego law firm of Glenn, Wright, Jacobs & Schell. Mr. Schell has served as Assistant United States Attorney of Los Angeles and San Diego; and, Arbitrator, Construction Industry Panel, American Arbitration Association.

Two positions on the Board of Directors are presently vacant.

Certain Powers of the Corporation

The powers of the Corporation are vested in, and exercised by, a majority of its directors. Under its Articles of Incorporation, the Corporation has all powers conferred upon nonprofit corporations by the laws of the State of California including the following:

(a) To borrow money and issue bonds, debentures, notes and other evidences of indebtedness, and to secure the payment of performance of its obligations by pledge, mortgage, transfer in trust or otherwise;

(b) To acquire, by purchase, exchange, lease, gift, devise, bequest or otherwise, and to hold, improve, lease, sublease, mortgage, transfer in trust, encumber, exchange, convey or otherwise dispose of real and personal property; and

(c) To assume any obligations, enter into any contracts and other instruments and do any and all things incidental to or expedient for the attainment of its corporate purposes or the issuance and sale of its securities.

Financing Procedures and Basic Legal Documents

On November 5, 1974 voters of the District, by a vote of 111,601 to 88,345 (55.8%), approved an increase of not more than 38.3¢ per \$100 assessed valuation in the District's maximum tax rate over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing the following 22 fully furnished, equipped, and landscaped new school facilities: (1) fifteen elementary schools, (2) one junior high school, (3) two junior-senior high schools, (4) one senior high school, and (5) three career education center additions.

The Corporation has issued pursuant to an Indenture (herein called the "1975 Indenture") dated July 1, 1975 between the Corporation and the Southern California First National Bank (now California First Bank and herein called the "Trustee") Bonds of Series A, dated July 1, 1975, in the principal amount of \$37,250,000 to finance the acquisition and construction of eleven permanent elementary schools (herein called "Project Phase I"). The specific elementary grade schools included were: Miramar Ranch, Ericson, Chesterton, Mason, Sandburg, Hickman, Walker, Dailard, Green, Penn and Tierra-

santa, including the acquisition of two existing privately-owned public school buildings situated at the latter school site. Construction at all schools is completed and the District presently occupies all Project Phase I facilities.

The Corporation has also issued under the 1975 Indenture Bonds of Series B, dated October 1, 1975, in the principal amount of \$35,000,000 to finance the construction of two junior-senior high schools and one junior high school (herein called "Project Phase II") for lease to the District. Construction at all schools is completed and the District presently occupies all Project Phase II facilities.

The Corporation on June 14, 1977 sold \$28,300,000 of 1977 Refunding Bonds, Series A pursuant to an Indenture (herein called the "1977 Indenture") dated July 1, 1977 to refund \$28,400,000 principal amount of 1975 Series A term bonds (\$100,000 balance is to be provided by California First Bank, the Trustee, on the refunding date of January 1, 1987). The additional \$600,000 term bonds of Series A maturing on July 1, 2000 will be redeemed on January 1, 1987 from moneys in the 1975 Series A Sinking Fund Account provided for in the 1975 Indenture.

The Corporation has also issued under the 1975 Indenture \$17,110,000 principal amount of the Corporation's Bonds of Series C, dated September 1, 1977, to finance the construction of four elementary schools and two career centers (herein called "Project Phase III") for lease to the District. Construction of Project Phase III facilities is completed and the District presently occupies all Project Phase III facilities.

Proceeds from the sale of the \$7,400,000 principal amount of the Corporation's Bonds of Series D, which are currently being offered, will be used, together with other available funds, to finance the construction of facilities to comprise University City High School (herein called "Project Phase IV") for lease to the District. Project Phase IV and the application of proceeds from the sale of the Bonds of Series D are described in "The Project" section of this Official Statement beginning on page 27.

The Project Phase IV facility will be constructed on a District-owned site that has been leased to the Corporation pursuant to a site lease dated October 1, 1977, the principal provisions of which are summarized under the section of this Official Statement entitled "Site Lease (Project Phase IV)" beginning on page 3.

The principal provisions of the Site Lease (Project Phase IV) are substantially the same as the corresponding provisions of the Site Lease (Project Phase I), the Site Lease (Project Phase II), and the Site Lease (Project Phase III) pursuant to which the District leased the sites of Project Phases I, II, and III to the Corporation, except for necessary changes.

The \$7,400,000 principal amount of the Corporation's Bonds of Series D will be issued pursuant to the Fourth Supplemental Indenture to the 1975 Indenture. The Fourth Supplemental Indenture, approved as to preliminary form by the Corporation on November 7, 1979, is dated December 1, 1979 and will be executed prior to the delivery of the Bonds of Series D.

The Bonds of Series D and a summary of certain provisions of the 1975 Indenture and the Fourth Supplemental Indenture are discussed in "The Bonds" section of this Official Statement. For complete details prospective purchasers of the Bonds of Series D are referred to the text of the 1975 Indenture and of the Basic Legal Documents accompanying the distribution of this Official Statement.

The Corporation has leased back to the District the Project Phase IV facility and site pursuant to provisions of a facility lease dated October 1, 1977 and entitled Facility Lease (Project Phase IV). The facility lease dated October 1, 1977 made provision for the construction of Project Phase IV in two stages: (1) site grading; and, (2) construction of the remainder of Project Phase IV. The site grading stage of Project Phase IV has been completed.

On September 20, 1979, the Corporation obtained sealed competitive bids for the construction of the remainder of Project Phase IV. The low bid was submitted by Trepte Construction Company, Inc., of San Diego, California. An amendment to the facility lease [First Amendment To Facility Lease (Project Phase IV)], dated December 1, 1979, has been approved as to preliminary form by the Corporation and the District and will be executed prior to the delivery of the Bonds of Series D. The principal provisions of the Facility Lease (Project Phase IV) and the First Amendment to Facility Lease (Project Phase IV) are summarized in the subsection of this Official Statement entitled "Facility Lease (Project Phase IV)" beginning on page 4.

The principal provisions of the Facility Lease (Project Phase IV) and the First Amendment to

Facility Lease (Project Phase IV) are substantially the same as the corresponding provisions of the Facility Lease (Project Phase I), the Facility Lease (Project II) and the Facility Lease (Project Phase III) pursuant to which the Corporation leased Project Phases I, II, and III to the District, except for necessary changes to reflect the phased construction of Project Phase IV.

Following the issuance of the Bonds of Series D, the Corporation may issue one additional series of bonds under the 1975 Indenture to construct improvements at University City High School deleted from the Bonds of Series D phase of the project following the receipt of construction bids.

The construction of University City High School will complete the District's facility program approved by voters on November 5, 1974. A Career Center addition at Crawford High School has been deleted from the originally planned construction program since funding from the Regional Occupational Program has been sufficient to provide for the needed career education facility.

Site Lease (Project Phase IV)

The Site Lease (Project Phase IV) (herein referred to as the "Site Lease") has been entered into by the Corporation and the District. The Site Lease is dated October 1, 1977.

Pursuant to the Site Lease, the District has leased to the Corporation, at an annual rate of \$1.00, the real properties (Demised Premises) upon which the Project Phase IV facilities are to be constructed. The Corporation shall use the Demised Premises solely for the purposes of: (1) constructing Project Phase IV facilities thereon, and (2) leasing back to the District the Demised Premises and the facilities thereon pursuant to the Facility Lease (Project Phase IV).

Term: The term of the Site Lease commenced on October 14, 1977 and shall end on December 1, 2000, unless earlier terminated or extended. If prior to December 1, 2000, all of the Bonds of Series D shall have been retired, the Site Lease shall be terminated ten days thereafter (the final maturity of the Bonds of Series D is July 1, 2000). If on November 30, 2000, the Bonds of Series D have not been paid and retired, or if the rental payable under the Facility Lease (Project Phase IV) shall have been abated, then the term of the lease shall be extended until ten days after all bonds and other indebtedness of the Corporation incurred to finance the construc-

tion of Project Phase IV shall be fully paid and retired, except that the term of the lease shall in no event be extended beyond December 1, 2005.

Title to Site: Mortgage of Leasehold. The District owns the Project site. Under provisions of the Site Lease, the Corporation is granted the right to mortgage or otherwise encumber by indenture, or deed of trust, or otherwise, the Site Lease, any rights thereunder, and the leasehold created thereunder to secure any indebtedness of the Corporation incurred to finance construction of Project Phase IV.

Quiet Enjoyment. The Corporation at all times during the term of the Site Lease shall peaceably and quietly have, hold, and enjoy all of the Demised Premises except in the event of default.

Default. In the event the Corporation shall be in default in the performance of any of its obligations under the Site Lease, and the default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the District may exercise its legal remedies; provided that the District shall have no power to terminate the Site Lease by reason of any default on the part of the Corporation if termination would affect or impair any assignment or sublease of all or any part of the Demised Premises between the Corporation and any assignee or subtenant of the Corporation (other than the District) under the Facility Lease (Project Phase IV). So long as any such assignee or subtenant of the Corporation duly performs the terms and conditions of the lease and of its sublease (if any), such assignee or subtenant shall be deemed to be the tenant of the District and shall be entitled to all of the rights and privileges granted under any such assignment, provided that so long as any indebtedness of the Corporation secured by an indenture is outstanding and unpaid the rentals or any part thereof payable to the Trustee under such indenture shall continue to be paid to the Trustee.

Eminent Domain Proceedings. In the event all or any part of the Demised Premises or the Project improvements thereon are taken by eminent domain proceedings, the interest of the Corporation shall be recognized in the amount of the then unpaid indebtedness incurred by the Corporation to finance the construction of the Project, including the principal thereof, interest thereon, and all other payments required to be made by, or to, the Trustee.

Termination and Disposition of Project. Upon the termination of the Site Lease, the Corporation

agrees to surrender to the District the Demised Premises and title to the permanent structures and improvements existing thereon.

The foregoing summary discussion of selected features of the Site Lease (Project Phase IV) are made subject to all of the provisions of the Site Lease (Project Phase IV). This summary discussion does not purport to be a complete statement of provisions of the Site Lease (Project Phase IV). For full details, prospective purchasers of the Bonds of Series D are referred to the complete text of the Site Lease (Project Phase IV) included in the Basic Legal Documents accompanying the distribution of this Official Statement.

Facility Lease (Project Phase IV)

The Facility Lease (Project Phase IV), herein referred to as the "Facility Lease", has been entered into by the Corporation and the District. The Facility Lease is dated October 1, 1977. The Corporation has leased to the District the Demised Premises and the Project Phase IV facility to be constructed pursuant to provisions of the Facility Lease.

The First Amendment to Facility Lease (Project Phase IV) has been approved as to preliminary form by the Corporation and the District and will be executed prior to the delivery of the Bonds of Series D.

Selected provisions of the Facility Lease and the First Amendment to Facility Lease are summarized below.

Term. The term of the Facility Lease started on October 14, 1977 and shall end on November 30, 2000 unless earlier terminated or extended. If prior to November 30, 2000, all of the Bonds of Series D shall have been retired, the Facility Lease shall terminate ten days thereafter (the final maturity of the Bonds of Series D is July 1, 2000). If on November 30, 2000 the Bonds of Series D have not been retired, the Facility Lease shall be extended until ten days after all Bonds of Series D and any other indebtedness incurred to finance the construction of Project Phase IV shall be full paid and retired, except that the term of the Facility Lease shall in no event be extended beyond December 1, 2005.

Construction of Facilities. The Corporation has constructed the site grading portion of Project Phase IV pursuant to Section 4, Paragraph 1, of the Facility Lease. The Corporation has obtained competitive bids for the construction of Project Phase IV

facilities. Concurrent with the execution, delivery and recordation of the First Amendment To Facility Lease, the Corporation will enter into a contract with the Trepte Construction Company, Inc. of San Diego, California for construction of Project Phase IV facilities in accordance with plans and specifications previously approved by the District and the Office of the State Architect.

Commencement of Rent. It is contemplated that the District will take possession of the Demised Premises and the Project Phase IV facilities on or before June 1, 1982 and the first payment of rental shall be due on June 15, 1982. The District may take possession of the Demised Premises and the Project Phase IV facilities prior to June 1, 1982 if completed prior to that date. If for any reason the Corporation is not able to deliver possession of the Demised Premises and the Project Phase IV facilities, or any part thereof, to the District by June 1, 1982, the Facility Lease shall not be void or voidable nor the Corporation be liable to the District for any resulting loss or damage; but in that event, the rental payable by the District shall be abated based on the proportion the construction cost of the incomplete portion or portions of the Project Phase IV facilities bears to the total construction cost of the Project Phase IV facilities.

Rental. Rental payable for the use and occupancy of the Demised Premises and the Project Phase IV facilities is denominated "base rental" and "additional rental."

Base Rental. The District agrees to pay the Corporation a base rental, semiannually beginning on June 15, 1982 and each succeeding December 15 and June 15 up to and including June 15, 2000 unless the Facility Lease has been extended or earlier terminated. The amount of base rental, presently fixed at \$1,600,000 annually, shall be modified by the First Amendment to Facility Lease to an amount sufficient to meet payments of interest and principal on the Corporation's Bonds of Series D as they become due. Based on an estimated interest rate of 8 percent that may be bid on the Bonds of Series D, see Table 2 on page 26, the District's annual base rental would be \$790,089, after payment of the first rental due June 15, 1982. The actual base rental obligation of the District will be determined following the sale of the Bonds of Series D.

Additional Rental: The District is also required to pay to the Corporation additional rental, in an

amount not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to Project Phase IV and the Corporation's Bonds of Series D.

District Provision of Rental. The District covenants to include all base rental and additional rental payments in its annual budget and to make the necessary annual appropriations for all such payments. The Corporation and the Trustee will be furnished copies of each proposed and final budget of the District within ten days after the filing or adoption thereof.

Any installment of rentals not paid when due shall bear interest at the rate of eight percent (8%) per annum until paid. The District has agreed to pay all installments of rentals when due notwithstanding any unresolved dispute with the Corporation.

Abatement of Rental. Rental shall be abated during any period in which there is substantial interference with the District's use and occupancy of the Demised Premises and the Project Phase IV facilities due to damage or destruction. The abatement of District rental, until the substantial completion of the repair or reconstruction work, shall be based on the proportion of initial costs of the unuseable portion or portions of the Project Phase IV facilities to the total initial cost of Project Phase IV facilities. In the event of any such damage or destruction, the lease shall continue in full force and effect and the District waives any right to terminate the lease by virtue of such damage or destruction.

Insurance. Except if such insurance is otherwise obtained by the Corporation or a construction contractor, the District is required to obtain and maintain commencing with the beginning of construction of any Project Phase IV structures and thereafter throughout the term of the Facility Lease various insurance coverages including fire and extended coverage, earthquake (after completion of construction and if available on the open market from reputable insurance companies), public liability and property damage, and rental interruption or use and occupancy insurance. The major features of these types and amounts of insurance coverage are discussed under the heading "The Indenture" in "The Bonds" section of this Official Statement. Various insurance coverages are to be provided by the construction contractor during construction and are discussed in the section of this Official Statement entitled "The Project".

Maintenance, Utilities, Taxes and Assessments.

The District shall be responsible for the maintenance and repair of the Demised Premises and the Project Phase IV facilities while in possession, and shall pay or arrange for the payment of such costs, as well as utilities, and all taxes and assessments affecting the Demised Premises or the Project charged to the Corporation or the Trustee throughout the term of the Facility Lease.

Eminent Domain Proceedings. In the event the entire Project Phase IV facilities are permanently taken under the power of eminent domain, the Facility Lease shall terminate. In the event less than all of the Project Phase IV facilities are taken under the power of eminent domain or if the whole of the Project Phase IV facilities are taken under the power of eminent domain temporarily, the Facility Lease shall continue in full force and there shall be a partial abatement of rental to be agreed upon by the District and the Corporation; however, in no event shall the rental payable by the District be less than the amount required for the retirement of the Bonds of Series D and payment of interest thereon as such bonds and interest become due.

Option to Purchase. The District shall have the option to purchase the Corporation's interest in any part of the Project Phase IV facilities upon payment of an option price equal to the aggregate amount for the entire remaining term of the lease of the part of the total rental attributable to such part of the Project Phase IV facilities (determined by reference to the proportion which the construction cost of such part of the Project Phase IV facilities bears to the construction cost of all of the Project Phase IV facilities). In such event, base rentals will be proportionately reduced and the lease will terminate as to such part of the Project.

Default By District. Should the District default and fail to remedy any default, the Corporation has the right to terminate the Facility Lease and re-enter the premises, or without terminating the Facility Lease, re-enter and relet Project Phase IV facilities as agent of and for the account of the District, but there shall be no acceleration of rent upon any default. Notwithstanding any such entry by the Corporation, the District shall remain liable for payment of all rentals, and for any damages for breach of the lease and for performance of all conditions of the lease.

Termination and Disposition of Project. Upon termination of the Facility Lease, the Corporation agrees to surrender to the District the Demised Premises and title to permanent improvements thereon.

The foregoing summary discussion of selected features contained in the Facility Lease (Project Phase IV) and the proposed form of First Amendment to Facility Lease (Project Phase IV) is made subject to all of the provisions of the Facility Lease (Project Phase IV) and the proposed form of First Amendment to Facility Lease (Project Phase IV). This summary does not purport to be a complete statement of such provisions. For full details, prospective purchasers of the Bonds of Series D are referred to the Basic Legal Documents accompanying this Official Statement.

Corporation Financial Statements

Financial Statements of the San Diego Unified School District Public School Building Corporation for the years ending June 30, 1978 and June 30, 1979 (with Accountants' Report thereon) are contained in Appendix A of this Official Statement.

THE BONDS

Authority for Issuance

The \$7,400,000 principal amount of San Diego Unified School District Public School Building Corporation Bonds of Series D, herein referred to as the "Bonds of Series D," are to be issued pursuant to the General Non-Profit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code), the 1975 Indenture and the Fourth Supplemental Indenture to the 1975 Indenture. The Bonds of Series D will be secured under provisions of the 1975 Indenture, a copy of which is included with the Basic Legal Documents which accompany the distribution of this Official Statement.

Terms of Sale

Bids for the purchase of the \$7,400,000 principal amount of Bonds of Series D will be received by the Corporation at 10:00 A.M., Tuesday, December 4, 1979, at the San Diego Unified School District, Second Floor Conference Room, Room 2249, 4100 Normal Street, San Diego, California 92103. Details of the terms of sale are included in the Official Notice of Sale adopted by the Board of Directors of the Corporation on November 7, 1979.

Description of the Bonds

The Bonds of Series D will be dated December 1, 1979 and will bear interest from their date, payable for the first seven months on July 1, 1980 and each succeeding January 1 and July 1. The Bonds of Series D will mature on July 1 in each of the years in the designated principal amounts as shown in Table 1.

Table 1

**SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION
Bonds of Series D
Principal Maturities**

Maturity Date July 1	Principal Amount
1983	\$195,000
1984	215,000
1985	230,000
1986	250,000
1987	270,000
1988	290,000
1989	310,000
1990	335,000
1991	365,000
1992	395,000
1993	425,000
1994	460,000
1995	495,000
1996	535,000
1997	580,000
1998	630,000
1999	680,000
2000	740,000

Redemption Provisions

The Corporation shall have the right, on any date, to redeem Bonds of Series D as a whole, or in part by lot within each maturity then outstanding, from proceeds of insurance paid for loss or substantial damage to the Project facilities or proceeds of eminent domain proceedings, so that the annual debt service for all years after such redemption shall be as nearly equal as practical. Redemption shall be at the principal amount and accrued interest thereon to the date fixed for redemption, without premium.

Bonds of Series D are also subject to redemption prior to their respective stated maturities, at the option of the Corporation, as a whole, or in part by lot within each maturity so that the annual debt service for the Bonds of Series D for all years in which Bonds of Series D shall mature after such redemption shall be as nearly equal as practicable,

on any date, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from moneys in the Project D Construction Account in the Construction Fund or any other available moneys of the Corporation, if by reason of a final judgment or court order prior to final judgment entered in the lawsuit entitled *Carlin et al. vs. Board of Education of the San Diego Unified School District*, Superior Court of California, County of San Diego, Case No. 303800, construction of Project Phase IV is stopped for a period of at least thirty (30) days.

Bonds maturing on or prior to July 1, 1994, an aggregate principal amount of \$3,740,000, are not subject to call and redemption prior to their fixed maturity date except as provided above. Bonds maturing on or after July 1, 1995, an aggregate principal amount of \$3,660,000, are also subject to call and redemption at the option of the Corporation as a whole or in part in inverse order of maturities and by lot within a maturity on any interest payment date on or after July 1, 1990 at the principal amount and accrued interest to the date of redemption, plus a premium of one-fourth of one percent of such principal amount for each whole year, or fraction of a year, between the date of redemption and the maturity date of the bonds.

Trustee and Paying Agents

The California First Bank, San Diego, California, has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the Indenture. In addition to holding and administering the various funds of the Corporation, the Trustee will invest the funds held in trust and will be the recipient of the rental revenues of the Corporation relating to the Project. The Trustee will also act as Paying Agent of the Corporation, paying bond interest and principal. The Trustee will act as bond registrar and will authenticate all registered bonds.

Interest and principal are payable at the San Diego, California principal office of California First Bank, the Trustee; or in the case of coupon bonds at the option of the holder at the principal office of United California Bank in Los Angeles, California; the principal office of United California Bank in San Francisco, California; the principal office of The Chase Manhattan Bank N.A. in New York, New York; or the office of Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois.

Form, Denomination, and Registration

The Bonds of Series D will be issued as coupon bonds in the denomination of \$5,000, or as fully registered bonds in the denomination of \$5,000 or any multiple thereof so long as principal shall mature in only one year. Coupon bonds and fully registered bonds will be interchangeable at the office of the Trustee as provided for in the Indenture.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Bonds of Series D but neither failure to print such numbers on any Bond of Series D nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds of Series D in accordance with the terms of the purchase contract.

Litigation

There is no litigation pending concerning the validity of the Bonds of Series D, and the Corporation will furnish to the successful bidder a no-litigation certificate certifying to the foregoing at the time of the delivery of the Bonds of Series D. Reference is made to pending litigation concerning the District and the Corporation which may affect the security of the Bonds of Series D. See the following subsection entitled "Litigation Concerning the District and the Corporation".

Litigation Concerning the District and the Corporation

Certain litigation is presently pending which involves portions of Project Phases financed from prior Series of Bonds, but there is no construction lawsuit presently pending involving more than approximately \$20,000.

A lawsuit challenging the environmental impact report for University City High School was filed in April, 1977. On June 10, 1977 the San Diego Superior Court upheld the sufficiency of the environmental impact report. An appeal was filed July 8, 1977. On August 1, 1977 the California Fourth District Court of Appeal denied a request for an order staying the construction of the high school until the appeal is determined. On August 3, 1977

the California Supreme Court refused to review an order of the appellate court denying the stay. On December 1, 1977 the appeal was dismissed, thereby terminating this litigation.

On July 18, 1979 a lawsuit was filed challenging the construction of University City High School on two grounds: (1) that the California Legislature exceeded its authority in enacting Chapter 1005, Statutes of 1977, extending under certain conditions the time following approval by the electorate in which leases may be entered into under the provisions of California law governing this transaction and (2) a printing error in the ballot argument at the election in which the construction of University City High School was approved invalidated voter approval of the project. This lawsuit was dismissed with prejudice on August 6, 1979.

In December 1967 a suit, entitled *Carlin et al. v. Board of Education of the San Diego Unified School District*, seeking to integrate the schools in the District was filed. In March 1977, following a trial, the San Diego Superior Court ordered the District to take all reasonable and feasible steps to alleviate minority racial isolation at 23 of the District's approximately 168 schools. A plan to accomplish this objective was filed by the District on June 13, 1977. The District's plan was approved by the Court with minor modifications in August 1977. A revised plan was prepared by the District and reviewed by the Court for the 1978/79 school year. This plan was approved, again with minor modifications, in July 1978. In June 1979, a revised plan for the 1979/80 school year was submitted to the Court. Hearings were conducted and on July 27, 1979 the plan submitted by the District was approved with only minor changes. The District's court-approved voluntary integration plan is based on the use of voluntary transfers, magnet schools, learning centers, institutional exchange programs, and a comprehensive race/human relations program. Several thousand students have volunteered for the various programs.

The District estimates that the cost of the plan approved by the Court will be approximately \$15.7 million in fiscal 1979/80. On August 9, 1979 the Board of Education adopted the final 1979/80 Budget and appropriated funds to implement its integration plan. There is provision under California law for reimbursement from the State of California for a substantial part of this cost.

On April 13, 1979, the plaintiffs in the District's integration case filed a petition for injunction and stay order seeking to prevent the construction of University City High School on the grounds that it will open as a predominantly white school. On June 8, 1979 the San Diego Superior Court issued a preliminary injunction preventing the construction of the school.

After a hearing on the merits, the preliminary injunction was dissolved and a petition for a permanent injunction was denied on July 12, 1979. The judge stated: "The proofs do not support an inference that the construction of University City High School will increase racial segregation or materially affect the desegregation program." On July 12, 1979, the Court also denied the plaintiffs' motion for a stay pending appeal; and on July 13, 1979 plaintiffs filed a notice of appeal.

On August 30, 1979, plaintiffs filed a petition for writ of supersedeas and request for temporary stay of construction with the Court of Appeal, Fourth Appellate District. On September 5, 1979, the Court of Appeal denied the petition and ordered briefs to be filed within the rule time, without extensions.

On September 17, 1979, plaintiffs filed in the Supreme Court of the State of California an instant application for temporary stay of construction, petition for hearing, and petition for writ of supersedeas. On October 26, 1979, the Supreme Court of the State of California denied the plaintiffs' petitions.

The foregoing discussion of litigation concerning the District and Corporation should be considered in light of provisions of the Facility Lease (Project Phase IV) which obligate the District to pay base rental only following completion of University City High School (Project Phase IV). See the section of this official statement entitled "Security" beginning on page 15, and its subsection entitled "Carlin et al. U.S. Board of Education of the San Diego Unified School District," beginning on page 18.

Serrano v. Priest

The pre-existing California system of levying property taxes and applying funds for public school purposes in effect at the time of the court ruling has been held unconstitutional under provisions of the California Constitution by a California Superior Court in the case entitled *Serrano v. Priest*.

The California Supreme Court in a decision dated December 30, 1976, affirmed the judgment of the Superior Court in that case. The Supreme Court

decision requires that a new system for financing California primary and secondary schools must be implemented by September 3, 1980.

The Superior Court judgment as affirmed by the California Supreme Court contains a statement that the existing public school financing system shall continue to operate until an appropriate system, not in violation of the California Constitution, can be placed into effect.

Chapter 894, Statutes of 1977, was enacted by the California Legislature and was signed by the Governor in response to *Serrano v. Priest*. This bill was designed to place state school finance "substantially" in compliance with the *Serrano v. Priest* decision. Chapter 894 significantly increased the amount of state money supplied to public school districts having a low local property tax basis, and provided for some equalization of tax moneys by redistributing some tax revenues of school districts having a high per-pupil property tax basis to school districts having a low per-pupil property tax basis. This legislation did not affect tax rate increases approved by voters of school districts for the long term leasing of public school buildings.

The financing method enacted by Chapter 894 was in effect superseded by legislation contained in Chapter 292 as amended, Statutes of 1978, and Chapter 282, Statutes of 1979 which were enacted following the approval of Proposition 13 on June 6, 1978. See the next subsection of this Official Statement entitled "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation".

It cannot be predicted whether challenges will be brought against the above-cited legislation, and it cannot be predicted if such challenges are brought, whether such legislation will be determined to be constitutional under the standard promulgated under *Serrano v. Priest*.

Any further change resulting from *Serrano v. Priest* in the sources of funds, including property taxation, applied to the support of public schools, and any effect thereof on the moneys available to the District to pay rental under the Facility Leases which are the security for the Corporation's Bonds, including the Bonds of Series D, are not determinable at this time. However, it is not believed that the result of such litigation will affect the validity of the Facility Leases during their term, even though the result of such further litigation or further legisla-

tion enacted in response thereto may affect the ability of the District to levy the voter-approved lease authorization tax.

1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation

On June 6, 1978, California voters approved Proposition 13 (the Jarvis-Gann Constitutional Initiative) which added Article XIII A to the California Constitution and restricts the taxing powers of California public agencies. The text of Article XIII A of the California Constitution, as amended, is included as Appendix B of this Official Statement.

Supreme Court Validation. On September 22, 1978, the California Supreme Court upheld the validity of Article XIII A against a number of challenges which attacked Proposition 13 as a whole (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court found that it was premature to rule on the claim that Article XIII A impermissibly interfered with contracts in violation of the U.S. Constitution, stating that such a challenge must come when a specific contract or obligation is impaired. In addition, the Court left open for future decision many other questions regarding the detailed interpretation and implementation of Article XIII A.

1978/79 Implementing Legislation. Section 1 of Article XIII A limits the maximum ad valorem tax on real property to one percent (1%) of full cash value (as defined in Section 2 of Article XIII A), to be collected by the counties and apportioned according to law. Excluded from this limit is an amount of taxes or special assessments to pay interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978.

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provided that notwithstanding any other law, local agencies could not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county would levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the prior practice of using 25 percent of full cash value as the assessed value for tax purposes).

Chapter 292, as amended, added Section 2237 to the Revenue and Taxation Code. Section 2237, interpreting what constitutes "indebtedness approved by the voters prior to" July 1, 1978 under Section 1 of Article XIII A, provides that, in addition to the tax of \$4.00 per \$100 assessed valuation which each county shall levy and distribute to local agencies, any school district (among other eligible local agencies) may levy a property tax equal to "the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978 or the amount levied pursuant to . . . Sections 39308 [and] 39311 . . . of the Education Code." These sections of the Education Code authorize a school district to obtain voter approval to increase the maximum tax rate of the district for the purpose of acquiring a site or sites, preparing plans and specifications, and leasing facilities to be constructed for the use of the district.

Pursuant to this implementing legislation, the San Diego County Tax Collector included the voter approved lease authorization tax at the rate of \$0. per \$100 assessed valuation on 1978/79 tax bills and \$0. per \$100 assessed valuation on 1979/80 tax bills in the District's tax area. The District expects the lease authorization tax to be levied in 1980/81 and subsequent years for Project purposes as approved by the voters of the District.

On April 18, 1979, the State Attorney General issued an opinion (No. CV 78-119) which apparently recognized the validity of Section 2237, and stated, in part, "if voters have approved the indebtedness for new school construction under [a lease-purchase] method of funding, and such approval occurred prior to July 1, 1978, the construction can be financed by a specific ad valorem tax on real property that exceeds the one percent limitation." This opinion is not binding on any court considering this issue, however.

There has been no court test of the validity of Section 2237 as it interprets Section 1 of Article XIII A of the California Constitution. Until there is a court decision upholding Section 2237 there is no assurance that the District will be able to continue to collect the lease authorization tax levy. If Section 2237 were to be struck down in this respect, the District cannot predict whether it could collect part or all of the lease authorization tax levy on the ground that Article XIII A unconstitutionally impairs contracts of the District. As noted

above, the California Supreme Court did not rule on similar claims in the *Amador Valley* case.

Chapter 292 further provided that for fiscal year 1978/79 only, the property tax levied by each county (\$4.00 per \$100 assessed valuation) was to be apportioned among all taxing agencies within the county in proportion to their average share of property taxes levied in certain previous years. Chapter 292 also contained provisions appropriating a large part of the State's accumulated surplus revenues to be distributed among the State's local government units to replace lost property tax revenues in the 1978/79 fiscal year.

Chapter 282, Statutes of 1979. On July 24, 1979, the Governor signed Assembly Bill No. 8 (A.B. No. 8). This law, Chapter 282, Statutes of 1979, enacts a new system for the allocation, among California local public entities, of property tax revenues from the one percent (1%) of full cash value property tax rate limit of Article XIII A of the California Constitution. This law also enacts a long-term system of funding public education in California which is believed by its sponsors to comply with standards promulgated by the California Supreme Court in *Serrano v. Priest*. The law also contains a "deflator" provision which would, in future years, automatically reduce the State's costs under the law, including the projected levels of State aid to school districts, if State revenues do not meet anticipated levels.

The principal features affecting school districts of the system enacted under this law are summarized below based upon the Legislature's "A.B. No. 8 Conference Committee Report, Long Term Local Government and School Financing, July 19, 1979" and the Legislative Counsel's Digest of the provisions of A.B. No. 8.

1. This law establishes new property tax allocation procedures which shift a portion of the school districts' property tax revenues to cities, counties, and special districts compared to 1978/79 property tax allocation procedures. Statewide, it is estimated that school districts will receive a 1979/80 "base" allocation of property tax revenues of approximately \$1.913 billion, which is approximately \$757 million lower than would otherwise have been received under the 1978/79 property tax allocation procedures; however, additional State school aid is provided in the law to offset this reduction in property tax revenue. The reduced pool of 1979/80 school property

taxes in each county will be shared by each school district, community college district, and county superintendent of schools in proportion to their respective shares of 1978/79 school taxes.

2. In 1980/81 and future years, each school district will receive a base allocation equal to its total property tax allocation in the prior year plus its share of assessed value growth. Future assessed value growth from new construction, revised assessments due to changes in ownership of property and the 2 percent value growth to compensate for inflation (permitted under Article XIII A of the California Constitution) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth in proportion to their share of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's "base" allocation in the following year.

3. In 1979/80, revenue limits for school districts which were applicable in 1978/79 are recalculated, equalized, and adjusted to compensate for inflation at a Statewide average increase of 8.6 percent. Districts having recalculated revenue limits above the Statewide average for districts of their size will have their revenue limits in-

creased by less than 8.6 percent while districts having recalculated revenue limits below the Statewide average for districts of their size will have their revenue limits increased by more than 8.6 percent.

4. Revenue limits for years after 1979/80 are subject to annual inflation adjustment, which will vary among individual school districts based upon a number of factors. The 1980/81 inflation adjustments in revenue limits per unit of average daily attendance will range from \$85 to \$150 per unit of average daily attendance, depending upon the district's 1979/80 base revenue limit. Unified school districts whose revenue limit per unit of average daily attendance is less than \$1,500 will receive an adjustment of \$150 per unit of average daily attendance. Districts whose revenue limit per unit of average daily attendance is greater than \$2,000 will receive an adjustment of \$85 per unit of average daily attendance. Unified school districts whose revenue limit is between \$1,501 and \$2,000 will receive an adjustment ranging from \$85 to \$150 per unit of average daily attendance.

The tabulation below shows the District staff's estimate of the estimated impact of this law on the revenue limits of the San Diego Unified School District.

SAN DIEGO UNIFIED SCHOOL DISTRICT

Chapter 282, Statutes of 1979

Estimated Impact on Revenue Limits

Per Unit of Average Daily Attendance

Fiscal Year	Average Daily Attendance	Revenue Limit Total ^①	Revenue Limit Per Unit of Average Daily Attendance
1978/79 ^②	113,209	\$161,209,616	\$1,424
1979/80 ^③	112,000	173,824,000 (7.8%)	1,552 (+8.9%)
1980/81 ^③	111,998	189,836,610 (9.2%)	1,695 (+9.2%)

① The revenue limit total pertains to general education purposes and excludes categorical aid programs, capital outlay, and other special purposes.

② Recalculated actual.

③ Estimated.

Source: San Diego Unified School District.

5. The law provides for annual payments from the State School Fund to school districts in amounts which, generally speaking, would be the difference between the revenue limit and local property tax revenues in each fiscal year. However, this anticipated level of State aid would be reduced if the “deflator” mechanism (described below) comes into operation.

6. By 1983/84 under this public education financing mechanism, it is anticipated that 89 percent of the unified school districts’ average daily attendance will be located in school districts having a variation in expenditures per unit of average daily attendance of \$100, or less, while 94 percent of unified school districts’ average daily attendance will be located in districts having an expenditure variation of \$150 or less per unit of average daily attendance.

7. The law contains a “deflator” mechanism whereby the total state cost of the provisions of the law would be reduced if insufficient funds are available in future years. Specifically, for 1980-81, if the State’s total General Fund revenues and transfers, plus beginning surplus, as estimated on June 10, 1980, falls below \$20.6 billion by more than \$100 million, the cost of the law will be reduced by the amount of the shortfall. Fifty percent of the shortfall would be reflected in an across-the-board percentage cut in school revenue limits. The remaining fifty percent would be effected through reductions in homeowner and business inventory exemption reimbursements proportionate to the amount of assistance granted by the law.

For future years, the Governor’s budget would contain an estimate equivalent to the \$20.6 billion for 1979-80. If the total of State General Fund revenues, transfers and surplus, as estimated by the June 10 prior to the start of the fiscal year, fall short of that figure, then similar reductions would be made for that fiscal year to make up the shortfall. Such reductions shall be made unless the Legislature passes by June 30 a concurrent resolution providing that the reductions shall not be made.

8. This law contains many additional provisions for specific school-related programs including summer school, adult education, deferred maintenance of facilities, county offices of education, portable classrooms and other capital outlays, and various categorical aids.

Government Spending Limitation Initiative

An amendment to the California Constitution (Limitation of Governmental Expenditures—Initiative Constitutional Amendment), commonly referred to as the “Gann Initiative”, was approved by California voters at a special Statewide general election on November 6, 1979.

Under the Gann Initiative beginning in 1980/81, the District will have an annual “appropriations limit”, and it will not be able to spend certain moneys in an aggregate amount higher than the “appropriations limit”. The spending of certain moneys will be excluded however from the “appropriations limit”, including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the District’s “appropriations limit” will be based on certain 1978/79 spending authorizations, and it will be adjusted annually to reflect changes in consumer prices and in the District’s average daily attendance. Among other provisions of the Initiative are: if District revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years; and the “appropriations limit” may be changed by vote of the District’s electors for a period of not more than four years.

There are many ambiguities and uncertainties in the Gann Initiative which will require clarification from subsequent legislation or judicial decisions. The District therefore is unable to determine exactly how the Initiative will affect its ability to provide services and meet certain of its financial obligations, including payment of base rentals to the Corporation under the Facility Lease. The District’s payment of such base rentals may be subject to the spending limitation, although the California Legislature in implementing Proposition 13 has interpreted school district lease financings such as those being undertaken by the District as prior voter-approved indebtedness, and the District lease authorization tax used to pay base rentals to the Corporation for debt service on Corporation bonds has therefore been exempted from the one percent (1%) property tax rate limitation imposed by Article XIII A of the California Constitution.

As cited earlier, the District’s “appropriation limit” will be based on certain 1978/79 spending authori-

zations adjusted annually to reflect changes in consumer prices and the District's average daily attendance. In 1978/79 the District spending authorization for Project purposes was \$15,140,199. Even if the revenue to be generated by the lease authorization tax is included within the District's spending limit, the 1978/79 spending authorization for Project purposes exceeded the District's estimated total annual rental obligations (\$9,175,223, as shown in the tabulation on page 16). Further, the District cannot expend lease authorization tax moneys for any purpose other than payment of rental to the Corporation and other Project-related costs.

Article 7 of the "Gann Initiative" states that it shall not be construed to "impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness"; however, application of this provision to the District's payment of base rentals is not certain.

The details of the Gann Initiative, now Article XIII B of the California Constitution, as amended, are more complex than is indicated by the foregoing partial description. The full text of Article XIII B of the California Constitution, as amended, appears as Appendix C of this Official Statement.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel to the Corporation, approving the validity of the Bonds of Series D, will be furnished to the purchasers without charge at the time of the original delivery of the Bonds of Series D. A copy of the legal opinion will be printed on each bond. The proposed form of legal opinion of Orrick, Herrington, Rowley & Sutcliffe, bond counsel, to be delivered to the Bond purchaser is included herein as Appendix D of this Official Statement. See the concluding paragraph of the "To Whom It May Concern" section of this Official Statement regarding the scope of bond counsel's employment concerning this Official Statement.

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds will be exempt from all present Federal income taxes under existing laws, rulings, regulations, and court decisions, and the bonds will be exempt from all present State of California taxes other than inheritance, estate, gift and franchise taxes.

Eligibility for Deposits of Public Money

The Bonds of Series D are eligible for security for deposits of public moneys in California.

Eligibility for National Banks

A request will be made to the Comptroller of the Currency for a ruling that Bonds of Series D of the Corporation are eligible for purchase, dealing in, underwriting and unlimited holding by national banks. The ruling is expected prior to the date of delivery of the Bonds of Series D.

Sale of Bonds in California

The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the Bonds of Series D are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the Bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968. The Bonds of Series D are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

Resale of Bonds in Other States

The Corporation will furnish to prospective purchasers an information memorandum covering applicability of blue-sky laws in 50 states, the District

of Columbia and Puerto Rico. The memorandum will indicate states in which no action is believed necessary to qualify the Bonds of Series D for offer and sale, states in which the Corporation is taking action to qualify the Bonds of Series D for offer and sale or to obtain exemptions, and states in which additional action is believed necessary to qualify the Bonds of Series D for offer and sale. The purchaser will assume responsibility for any required permits and/or filing fees in states in which additional action is believed necessary, and for complying with the laws of all jurisdictions on resale of the Bonds of Series D, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

Purpose of Issue

The Bonds of Series D are to be issued to finance in part Project Phase IV, the construction of facilities to comprise University City High School, for lease to the San Diego Unified School District, San Diego County, California, as more fully described in "The Project" section of this Official Statement.

Security

The Bonds of Series D will be valid, binding, and legal general obligations of the Corporation secured with the 1975 Series A, B, and C Bonds under the 1975 Indenture by the assignment, transfer in trust, transfer of security interest in, and pledge of the trust estate, including the following, to the California First Bank, San Diego, California, as Trustee:

(1) The leasehold estate of the Corporation in real property under the four Site Leases (Project Phases I, II, III, and IV) between the District, as lessor, and the Corporation, as lessee, subject to rights of reverter reserved by the United States of America in the deeds of all or a portion of the sites of five schools;

(2) All rights, title, and interest of the Corporation under the four Facility Leases (Project Phases I, II, III, and IV) between the Corporation, as lessor, and the District, as lessee; and

(3) All of the revenues derived by the Corporation from the use and operation of the Project Phases I, II and III now completed and Project Phase IV to be constructed pursuant to the Site and Facility Leases (Project Phase IV);

Provided however, that from and after the date when no 1975 Series A Bonds are outstanding (scheduled to be January 1, 1987), the lien of the 1975 Indenture on the Site Lease (Project Phase I) and on the revenues from Project Phase I will terminate, and thereafter such security will secure the 1977 Refunding Bonds Series A issued under the 1977 Indenture.

Bonds of Series A, B, C, and D principal and interest coming due each year will be payable from semi-annual base rental payments to be made by the District for use of all Project facilities. The District's annual base rental specified in the four Facility Leases will be sufficient to pay principal and interest on the Bonds of Series A, B, C, and D. Based on an estimated interest rate of 8% that may be bid on the Bonds of Series D, the District's annual base rental for Project Phase IV facilities would be \$790,089. The exact amount of the semiannual base rental payment by the District will be established subsequent to the determination of the interest rates the Bonds of Series D will bear.

Under provisions of the Facility Lease (Project Phase IV), the District will also be obligated to pay to the Corporation additional rental, not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to the Bonds of Series D.

Authorized District Tax Rate Increase. At a District-wide election held on November 5, 1974, voters of the District approved Proposition XX which authorized an increase of not to exceed 38.3¢ per \$100 assessed valuation in the District's maximum tax rate limit, over the period 1975/76 to 2002/03, for the purposes of: (1) acquiring school sites not then owned by the District, (2) preparing plans and specifications, and (3) leasing 22 fully furnished, equipped and landscaped public school buildings. Proposition XX also reserved to the District the right to lease less than all of the 22 public school buildings if circumstances so require.

Estimated District Rental Obligations. For the use and occupancy of Project Phase I, the District is obligated under the Facility Lease (Project Phase I) to pay the Corporation a base rental semiannually beginning on December 15, 1976 (fiscal year 1976/77) and each succeeding June 15 and December 15 up to and including June 15, 2000 unless such Facility Lease has been earlier terminated or extended. This semi-annual base rental is sufficient to pay principal and interest on the 1975 Series A Bonds. The yearly base rental of \$3,339,280 plus

the yearly additional rental of \$10,000 per year produces a yearly aggregate rental obligation of \$3,349,280 which commenced in fiscal year 1976/77.

On June 14, 1977 the Corporation sold its 1977 Refunding Bonds, Series A. The proceeds of these 1977 Refunding Bonds, Series A, are scheduled to be used (together with other available moneys) to redeem the 1975 Series A Bonds then outstanding on January 1, 1987. Thereafter, the base rental under the Facility Lease (Project Phase I), as amended, will be applied to pay the 1977 Refunding Bonds, Series A. This reduced annual base rental obligation of \$3,081,310 will commence on June 15, 1987, if the 1975 Series A Bonds are redeemed as scheduled on January 1, 1987.

For the use and occupancy of Project Phase II, the District is obligated under the Facility Lease (Project Phase II) to pay the Corporation a base rental semiannually beginning on December 15, 1977 (fiscal year 1977/78) and each succeeding June 15 and December 15 up to and including June 15, 1995 unless such Facility Lease has been earlier terminated or extended. This semiannual base rental is sufficient to pay principal and interest on the 1975 Series B Bonds. The yearly base rental of \$3,619,336 plus the yearly additional rental of \$10,000 per year produces a yearly aggregate rental obligation of \$3,629,336 which commenced in fiscal year 1977/78.

For the use and occupancy of Project Phase III, the District is obligated under the Facility Lease (Project Phase III) to pay the Corporation a base rental semiannually beginning on December 15, 1979 (fiscal year 1979/80) and each succeeding June 15 and December 15 up to and including June 15, 2000 unless such Facility Lease has been earlier terminated or extended. This semi-annual base rental is sufficient to pay principal and interest on the Series C Bonds. The yearly base rental of \$1,386,518 plus the yearly additional rental of \$10,000 per year produces a yearly aggregate rental obligation of \$1,396,518 which commences in fiscal year 1979/80.

The District's maximum annual base rental to be payable to the Corporation under the Facility Lease (Project Phase IV) in semiannual installments beginning June 15, 1982 is estimated at \$790,089, assuming an estimated interest rate of 8 percent is bid on the Bonds of Series D. A portion of the District's 38.3¢ per \$100 assessed valuation maximum lease authorization tax will be levied beginning

in fiscal year 1981/82 in an amount sufficient to pay base rental obligations, and additional rental obligations not to exceed \$10,000 annually, pursuant to the Facility Lease (Project Phase IV).

The tabulation below shows a summary of the District's estimated yearly aggregate rental obligations for Project Phases I through IV in fiscal year 1982/83, the first fiscal year in which the District will be obligated to pay full base and additional rentals for Project Phases I through IV.

SAN DIEGO UNIFIED SCHOOL DISTRICT

Estimated Base and Additional Rental Obligations

Project Phases I Through IV 1982/83

Project Phase	District Rental Obligations
I	\$ 3,349,280①
II	3,629,336①
III	1,396,518①
IV	800,089②
Total	\$ 9,175,223

① Actual District rental obligations. Annual base rental for Project Phase I is anticipated to be reduced to \$3,081,310 commencing June 15, 1987 (fiscal year 1986/87) if the outstanding 1975 Series A Bonds are redeemed as scheduled on January 1, 1987.

② Approximation based on an estimated interest rate of 8 percent which may be bid on the \$7,400,000 of Series D Bonds currently being offered for sale.

Estimated Tax Rate Coverage of Rental Obligations. Pursuant to the Facility Leases (Project Phases I through IV), the District covenants to budget annually funds required for the payment of rental to the Corporation.

The principal source of District funds to pay rental to the Corporation is expected to be the voter approved tax for Project purposes (maximum of \$0.383 per \$100 assessed valuation). In Statutes of 1978, Chapter 292, as amended by Chapter 332, the California Legislature has adopted legislation which interprets and implements the recently enacted Article XIII A of the California Constitution (Proposition 13) so as to permit the District to continue to collect the voter approved lease authorization tax levy over and above the limits on ad valorem prop-

erty tax rates set in Article XIII A. There has been no court test of the validity of this Legislature interpretation, and until such a test is made, there is no assurance that the District will be able to continue to collect the voter approved lease authorization tax levy. See the section of this Official Statement entitled "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation", beginning on page 10.

The District's estimated maximum aggregate annual rental payable to the Corporation in semi-annual installments, beginning June 15, 1982, is \$9,175,223 assuming an interest rate of 8 percent is bid on the \$7,400,000 Series D Bonds currently being offered for sale. To meet its total annual rental obligations, the District expects to levy the voter approved lease authorization tax, at a rate not to exceed \$0.383 per \$100 assessed valuation.

The District's staff estimates 1982/83 assessed valuations of the District at a minimum of \$4,085,000,000 on the basis that the District's 1979/80 assessed valuation (\$3,873,439,258 less redevelopment tax allocation increments of \$23,692,502) will increase at the rate of at least 2 percent per year to compensate for inflation as permitted under Section 2(b) of Article XIII A of the California Constitution, and no major natural disasters will occur in the District which would cause a significant reduction in values of property within the District which were damaged or destroyed in a disaster. This estimate also takes into account legislation passed by the California Legislature which exempts business inventories from taxation entirely in 1980/81 and each fiscal year thereafter. This legislation provides a formula for reimbursement by the State to cities, counties, cities and counties, school districts, and special districts for the amount of tax revenue lost by reason of such exemptions as adjusted for percentage changes in the population and the cost of living. In 1979/80, business inventories exemptions (\$116,513,459) accounted for approximately 3 percent of the District's total assessed valuation after adjustment for redevelopment agency increments (\$3,849,746,756). See Table 4 on page 30.

Based on the estimated 1982/83 assessed valuation of the District (\$4,085,000,000), the voter approved lease tax of \$0.383 per \$100 assessed valuation provides coverage of 1.67 times the District's estimated maximum annual rental obligations of the District (\$9,175,223), after allowances for a tax collection delinquency ratio of 2.38 percent (the

average current tax collection delinquency ratio over the past 5 years). The coverage ratio is anticipated to be greater than 1.67 to the extent that: (1) the Bonds of Series D are sold at a rate less than 8 percent, and (2) the District's assessed valuation increases between 1979/80 and 1982/83 at a rate greater than 2 percent due to (a) new construction undertaken in the District from March 1, 1979 through March 1, 1982 and (b) changes in ownership of properties presently assessed at lower than current tax roll levels.

The tabulation on page 18 covering the years 1980/81 through 1982/83 shows that at the projected minimum assessed valuation for revenue purposes, the maximum estimated tax rate required to fund estimated maximum annual rental obligations of the District would be \$0.23 per \$100 assessed valuation in 1982/83 (the first year in which all Project Phase leases would require the payment of a full year's rentals). Also shown in the tabulations are extenuated coverage ratios afforded by the voter-approved lease tax authorization of \$0.383 per \$100 assessed valuation.

General Fund revenues of the District, at the discretion of the Board of Education, may be used to pay rental. The ending General Fund balance of the District as of June 30, 1979 was \$43,813,934. It is anticipated that in future years, General Fund revenues that may be available to pay rental will be substantially lower due to the revenue limiting features of Article XIII A of the California Constitution and the potential impact of the constitutional amendment, Article XIII B, approved by California voters on November 6, 1979, which places spending limitations on the State and local government agencies.

The Bonds are not a debt, liability or obligation of the District. The Facility Leases will constitute legal, valid and binding instruments and the obligations of the District to pay each year's rental during the terms of the Facility Leases will be valid and enforceable in accordance with the terms of said Leases subject to the limitations on legal remedies against school districts in the State of California and subject to laws relating to bankruptcy or insolvency or other laws affecting creditor's rights. The rentals payable by the District to the Corporation under terms of the Facility Leases will constitute the primary source of funds of the Corporation for the payment of the Bonds, including the Bonds of Series D, and such rentals will be payable only from unre-

stricted revenues of the District legally available therefor. Remedies provided under the Facility Leases for default by the District do not include any right of acceleration of rent.

Carlin et al. vs. Board of Education of the San Diego Unified School District. As discussed in the subsection of this Official Statement entitled "Litigation Concerning the District and the Corporation", the San Diego Superior Court in March 1977, following a trial, ordered the District to take all reasonable and feasible steps to alleviate minority racial isolation at 23 of the District's approximately 168 schools. District voluntary integration plans to achieve this objective during fiscal years 1977/78, 1978/79, and 1979/80 have been approved, with minor modifications, by the Court.

Plaintiffs in this lawsuit, at various times since April 13, 1979 have petitioned for court orders before the San Diego Superior Court, the Court of Appeal, Fourth Appellate District, and the Supreme Court of the State of California to stay construction of University City High School (Project Phase IV) on the grounds that this facility would open as a predominantly white school.

Plaintiffs' petitions to the San Diego Superior Court were denied on July 12, 1979.

On September 5, 1979 the Court of Appeal denied the plaintiffs' petition for a writ of supersedeas and request for temporary stay of construction and ordered briefs to be filed within the rule time, without extensions.

On October 26, 1979, the Supreme Court of the State of California denied the plaintiffs' application for temporary stay of construction, petition for hearing, and petition for writ of supersedeas.

As of the date of this Official Statement, parties in this suit have been ordered to file briefs within the rule time, without extensions, before the Court of Appeal, Fourth Appellate District. The time within which the Court of Appeal will decide this appeal, and the decision of the Court of Appeal cannot be determined at this time. Also, it cannot be determined whether further court actions may be taken by either party in the lawsuit following the decision of the Court of Appeal.

Under provisions of the Facility Lease (Project Phase IV), the District is obligated to pay the Corporation full base rental only following the completion of University City High School, which is scheduled for September 1, 1981. The tabulation

Fiscal Year	Projected Minimum Assessed Valuation for Revenue Purposes (1,000's) ①	District Fixed Rental Obligations Project Phases I Through III ②	Estimated District Rental Obligation Project Phase IV ③	Total Estimated District Rental Obligations All Project Phases	All Project Phases Estimated Rental Tax Rate ④	Voter Approved Rental Tax Rate Estimated Coverage Ratio ⑤
1980/81	\$3,926,000	\$8,375,134	\$ —	\$8,375,134	0.2184	1.75
1981/82	4,005,000	8,375,134	296,000 ⑥	8,671,134	0.2217	1.73
1982/83	4,085,000	8,375,134	800,089 ⑦	9,175,223	0.2300	1.67

① Based on a 2 percent annual adjustment of the District's 1979/80 assessed valuation (\$3,849,746,756) as permitted under Section 2(b) of Article XIII A of the California Constitution to compensate for inflation and an assumption that no major natural disasters will occur in the District which would cause a significant reduction in values of property within the District which were destroyed or damaged in a disaster.

② Per Facility Leases Project Phases I Through III.

③ Based on an estimated interest rate of 8 percent which may be bid on the \$7,400,000 of Series D Bonds currently being offered for sale.

④ Includes an allowance of 2.38 percent for current tax collection delinquencies.

⑤ Ratio of estimated rental tax rate for all Project Phases to the voter-approved lease tax rate authorization of \$0.383 per \$100 assessed valuation.

⑥ First base rental payment on June 15, 1982 for interest on July 1, 1982 on the \$7,400,000 Bonds of Series D.

⑦ Annual base and additional rental payable in semiannual installments on December 15, 1982 and June 15, 1983 and each succeeding December 15 and June 15 through June 15, 2000.

below summarizes the estimated costs of Project Phase IV and sources of Project D Construction Account moneys which will be used to finance Project Phase IV.

Project Phase IV

Estimated Costs and Sources of Funds

Estimated Costs

Construction	\$17,199,509 ^①
Construction Contingency	300,000
Cost of Bond Issuance and Title Insurance	135,000
Total	\$17,634,509

Sources of Funds Project D Construction Account

District Funds	\$ 4,576,509 ^②
Transfers from Project A and Project C Construction Accounts	5,600,000
Bonds of Series D Net Proceeds ...	5,367,466 ^③
Investment Income During Construction	2,090,534
Total	\$17,634,509

① Construction bid @ \$19,099,509 less deductive change order estimated to be approximately \$1,900,000.

② To be expended for the construction of Project Phase IV prior to the expenditure of any other moneys in the Project D Construction Account. See subsection entitled "Funds and Documents Deposited With Trustee", page 21.

③ After provision for Funded Interest through January 1, 1982 @ \$1,233,334 and funding additional Reserve Fund requirements @ \$799,200, see tabulation on page 28.

Moneys in the Project D Construction Account may be used to: (1) fund construction of Project Phase IV; and (2) redeem Bonds of Series D pursuant to Section 18.03(a)(2) of the Fourth Supplemental Indenture to the 1975 Indenture if construction of Project Phase IV is stopped for a period of at least thirty days by reason of a final judgment or court order prior to final judgment in this lawsuit.

Based on the contractor's estimate of progress payments to be made during the construction period (January 1980 through August 1981), and estimates of available funds in the Project D Construction Account during the construction period,

it is estimated that sufficient moneys would be available to redeem all of the outstanding Bonds of Series D if construction was stopped on or prior to October 1, 1980. At that time, the contractor estimates that construction of Project Phase IV would be approximately 50 percent complete.

If construction of Project Phase IV was stopped on August 1, 1981, one month prior to the scheduled completion date, it is estimated that \$860,000 of moneys would be available in the Project D Contract Amount to redeem a portion of the \$7,400,000 of outstanding Bonds of Series D. On August 1, 1981, if construction was stopped, the contractor estimates construction of Project Phase IV would be approximately 98 percent complete and approximately \$6,540,000 of Bonds of Series D would remain outstanding after the application of the estimated \$860,000 of remaining Project D Construction Account moneys toward redemption of a portion of the Bonds of Series D.

The second sentence of Section 4.02(d) of the 1975 Indenture provides that: "If on July 2 or January 2 of any year the amount in the Reserve Fund exceeds the Maximum Annual Debt Service on the Bonds, the Trustee, if the Corporation is not then in default hereunder and if the District is not then in default under any Facility Lease, shall pay the amount of such excess to the District, unless any portion of such excess shall be needed to increase the balance in the Corporate Operation Fund to the amount required to be on deposit in said fund, in which event the Trustee shall transfer such portion to the Corporate Operation Fund, or unless the Trustee, in its discretion, shall determine that the amount of such excess is or will be required for the payment of the principal of and interest on the Bonds on any succeeding interest payment date (assuming for purposes of such determination that the District shall pay when due all payments of Base Rental required by the Facility Leases)."

To secure payment of Bonds of Series D that may remain outstanding in the event construction of Project Phase IV is stopped and the District is not obligated to pay rentals to the Corporation, the Fourth Supplemental Indenture to the 1975 Indenture provides (see subsection entitled "Funds and Documents Deposited with Trustee," page 21) that the Corporation shall, at or prior to the delivery of the Bonds of Series D, deliver to the Trustee an irrevocable letter of instructions to the Trustee from

the District authorizing and directing the Trustee, either until the construction of Project Phase IV shall have been completed and the Certificate of the Corporation and the Architect's Certificate required by Section 3.03 shall have been delivered to the Trustee or until no Bonds of Series D shall be outstanding, whichever shall first occur, (i) to deposit on January 2 and July 2 of each year in the Project D Construction Account in the Construction Fund, or, if construction of Project Phase IV shall have been stopped for a period of at least thirty days or Project Phase IV shall have been abandoned, in the Revenue Fund, all moneys which would otherwise be transferred to the District pursuant to the second sentence of Section 4.02(d) of the 1975 Indenture, (ii) to deposit on January 1 and July 1 of each year in the Revenue Fund all moneys which would otherwise be transferred to the District pursuant to the second sentence of Section 4.02(d) of the 1977 Indenture, and (iii) to use for the redemption of Bonds of Series D all or any portion of moneys which otherwise would be deposited by the Trustee in the Revenue Fund pursuant to clause (i) or (ii) above, following delivery to the Trustee of a Written Order of the Corporation directing the Trustee to use such moneys to redeem Bonds of Series D pursuant to Section 18.03(a)(2).

As of the date of this Official Statement, the Trustee reports that the Reserve Fund for all presently outstanding Bonds of Series A, Bonds of Series B, and Bonds of Series C consists of \$9,374,000 par value of various issues of Federal securities and \$5,063 in savings accounts and certificates of deposit. Upon delivery of the Bonds of Series D (estimated maximum annual debt service of \$799,200), it is estimated that the Reserve Fund will be increased to approximately \$10,178,000.

As discussed previously, it is estimated that approximately \$6,540,000 principal amount of Bonds of Series D would remain outstanding in the event construction of Project Phase IV was stopped as late as one month prior to completion of construction. Pursuant to the previously-cited irrevocable letter of instructions to the Trustee from the District to be delivered by the Corporation at, or prior to, the delivery of the Bonds of Series D, regarding application of moneys which would otherwise be transferred to the District, income from the investment of the Reserve Fund and other moneys of the Corporation would be available for use to redeem outstanding Bonds of Series D.

The Trustee reports that annual income from the investment of \$9,379,063 in the Reserve Fund is approximately \$832,000, or a return at the rate of 8.8 percent.

It is not possible to predict the future rate of return, amount of income, or amount of Reserve Fund moneys that may be available for investment in the future. Based on calculations which assume a rate of return of 7 percent on approximately \$10,178,000 of moneys in the Reserve Fund following delivery of the Bonds of Series D, the Corporation would be capable of: (1) maintaining the Reserve Fund at a level equal to maximum annual debt service on all outstanding Bonds; (2) paying interest on the estimated maximum amounts of Bonds of Series D outstanding, following a stop in construction of Project Phase IV one month prior to completion (\$6,540,000), and, (3) redeeming approximately \$4,600,000 of outstanding Bonds of Series D over the period July 1, 1982 through July 1, 1994. On July 1, 1995, with the scheduled retirement of the remaining outstanding Bonds of Series B, \$3,807,000 of Reserve Fund moneys would become available to redeem the remaining \$1,940,000 of the outstanding Bonds of Series D.

The 1975 Indenture and the Fourth Supplemental Indenture Thereto

The following summary of selected provisions of the 1975 Indenture and the Fourth Supplemental Indenture to the 1975 Indenture under which the Bonds of Series D will be secured is discussed below.

The Trustee. California First Bank, San Diego, California has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and revenues of the Corporation pledged under the 1975 Indenture for disbursement in conformity with the 1975 Indenture. In addition to administering the various funds of the Corporation, the Trustee will invest all funds held in trust, act as paying agent for the Corporation's Bonds and act as bond registrar.

Creation of Special Funds. The 1975 Indenture provides for the establishment of special trust funds, all to be held and administered by the Trustee. These funds together with their sources and uses are summarized in the tabulation shown on page 21. Moneys held in the various funds may be invested by the Trustee under the provisions of Section 4.04 of the 1975 Indenture.

TRUST FUNDS

Fund	Principal Source	Use
Construction Fund (Section 3.03)	Bond Proceeds	Construction, and incidental expenses of Bond issuance and delivery.
Revenue Fund (Section 4.01)	District Base Rental Payments	Transfers to Interest Fund; Principal Fund; Principal Fund Sinking Fund Accounts; Operation and Maintenance Fund, if needed; and Reserve Fund.
Interest Fund (Section 4.02(a))	Transfers from Revenue Fund	Bond interest payments.
Principal Fund (Section 4.02(b))	Transfers from Revenue Fund	Bond principal payments.
Principal Fund: Sinking Fund Accounts (Section 4.02(b) and Section 17.07) . . .	Transfers from Revenue Fund	Redemption of term Bonds at or prior to maturity.
Operation and Maintenance Fund (Section 4.02(c))	Transfers from Revenue Fund	To meet costs of operation and maintenance if at any time the Corporation shall operate and maintain the Project.
Reserve Fund (Section 4.02(d))	Bond Proceeds and, if depleted, Revenue Fund	Bond principal and interest; payment of final maturities; payment for Project repairs or replacement; and transfers to Corporate Operation Fund, if needed.
Corporate Operation Fund (Section 4.03) .	Bond Proceeds, District Additional Rental Payments and transfers from Reserve Fund earnings, if needed	Corporate operating expenses.

Disposition of Bond Proceeds. The Fourth Supplemental Indenture provides that the proceeds from the sale of the Bonds of Series D shall be deposited with the Trustee. The Trustee will then make the following deposits:

(1) *Interest Fund.* An amount sufficient to pay the interest accruing on the Bonds of Series D on and before January 1, 1982.

(2) *Reserve Fund.* A sum which, together with the balance then on deposit, shall equal maximum annual debt service on all Bonds then outstanding, including Bonds of Series D.

(3) *Construction Fund.* The balance of proceeds from the sale of Bonds of Series D which shall be deposited into the Project D Construction Account in the Construction Fund.

Funds and Documents Deposited With Trustee.

The Corporation shall also, at or prior to the delivery of the Bonds of Series D, deliver to the Trustee:

(i) a Written Order of the Corporation directing the Trustee to transfer from the Project A Construction Account and the Project C Construction Account in the Construction Fund to the Project D Construction Account in the Construction Fund, the aggregate amount of \$5,600,000, which amount the Trustee shall deposit in the Project D Construction Account in the Construction Fund;

(ii) the amount of \$4,576,509 to be provided by the District, which amount the Trustee shall deposit in a sub-account in the Project D Construction Account in the Construction Fund and shall expend for the construction of Project Phase IV

prior to the expenditure of any other moneys in the Project D Construction Account; and

(iii) an irrevocable letter of instructions to the Trustee from the District authorizing and directing the Trustee, either until the construction of Project Phase IV shall have been completed and the Certificate of the Corporation and the Architect's Certificate required by Section 3.03 shall have been delivered to the Trustee or until no Bonds of Series D shall be outstanding, whichever shall first occur, (i) to deposit on January 2 and July 2 of each year in the Project D Construction Account in the Construction Fund, or, if construction of Project Phase IV shall have been stopped for a period of at least thirty days or Project Phase IV shall have been abandoned, in the Revenue Fund, all moneys which would otherwise be transferred to the District pursuant to the second sentence of Section 4.02(d) of the 1975 Indenture, (ii) to deposit on January 1 and July 1 of each year in the Revenue Fund all moneys which would otherwise be transferred to the District pursuant to the second sentence of Section 4.02(d) of the 1977 Indenture, and (iii) to use for the redemption of Bonds of Series D all or any portion of moneys which otherwise would be deposited by the Trustee in the Revenue Fund pursuant to clause (i) or (ii) above, following delivery to the Trustee of a Written Order of the Corporation directing the Trustee to use such moneys to redeem Bonds of Series D pursuant to Section 18.03(a)(2).

Moneys in the Project D Construction Account may be used for the construction of Project Phase IV and may also be used to redeem Bonds of Series D pursuant to Section 18.03 (a)(2) if by reason of a final judgment or court order prior to final judgment entered in the lawsuit entitled *Carlin et al. v. Board of Education of the San Diego Unified School District*, Superior Court of California, County of San Diego, Case No. 303800, construction of Project Phase IV is stopped for a period of at least thirty days.

When Project Phase IV has been completed, a certificate of the Corporation stating the fact and date of such completion, together with the Architect's certificate stating the fact and date of such completion, shall be delivered to the Trustee by the Corporation. With the receipt of these certifications the Trustee shall transfer any remaining balance not needed for Project Phase IV purposes either, as directed by the Corporation, to the Revenue Fund or to another Project Construction Account.

Revenue Fund. All base rental revenue shall be paid to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Moneys in the Revenue Fund shall be disbursed, applied, or set aside by the Trustee in the following order of priority:

(1) *Interest Fund.* Commencing on or before December 30, 1976, and on or before June 30 and December 30 of each year thereafter, an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the outstanding Bonds on the next succeeding interest payment date, less any available balances in said fund.

(2) *Principal Fund.* On or before each December 30, beginning December 30, 1976, an amount equal to at least (a) one-half of the aggregate yearly amount of principal becoming due and payable on outstanding serial bonds the next succeeding July 1 plus (b) one-half of the aggregate of the Minimum Sinking Fund Account Payments to be paid during the twelve-month period ending on the next succeeding July 1, and on or before each June 30, beginning June 30, 1977, an amount equal to (a) the sum which, together with any available balances, will be sufficient to pay the principal of serial bonds on the next succeeding July 1 plus (b) one-half of the aggregate of the Minimum Sinking Fund Account Payments to be paid during the twelve-month period ending on the next succeeding July 1.

(3) *Operation and Maintenance Fund.* If the Corporation shall at any time operate the Project, on or before each June 30 and each December 30 the Trustee shall deposit an amount needed to provide for payment of all costs of operation and maintenance during the next six months.

(4) *Reserve Fund.* Moneys in this Fund shall be held by the Trustee and shall be used to pay bond principal and interest in the event no other funds are available, and moneys in this Fund in excess of one-half of maximum annual debt service may be used for the repair, reconstruction, or replacement of any damaged or destroyed portion of the Project or for the loss of rental income not insured against because of the thirty-day deductible amount. Excess balances in this Fund shall be used to the extent needed to increase the balance in the Corporate Operation Fund to the amount required to be on deposit in said Fund and any remaining excess amounts shall be paid to the District. Until Project Phase IV

shall have been completed, excess amounts in the Reserve Fund shall be transferred to the Project D Construction Account.

(5) *Corporate Operation Fund.* An amount necessary to maintain a balance of \$15,000 in this Fund.

Moneys in the Reserve Fund, Principal Fund, and Interest Fund may be used by the Trustee to reimburse the District for any rental payable under any Facility Lease for a period during which rental is abated and for which no other moneys (including proceeds of the rental interruption or use and occupancy insurance) are available.

Investment of Funds. All moneys held by the Trustee in any of the funds established pursuant to the Indenture (except the Operation and Maintenance Fund) may be held in demand or time deposits, and if so shall be secured at all times by collateral security having a market value at least equal to the amount required by law.

Moneys in such funds may also be invested in authorized investments (as defined in the Indenture) including Federal securities or certificates of deposit of banks, maturing prior to the dates required for withdrawal of funds.

All interest earned on any such investment shall become part of the fund on which earned, except that such interest earnings received on Interest Fund or Reserve Fund moneys attributable to any phase of the Project during construction of such phase of the Project shall be transferred to the Project Construction Account established for such Phase of the Project.

Additional Series of Bonds. Section 3.04 of the Indenture permits the issuance of one or more additional series of parity bonds by supplemental indenture(s) subject to, among other things, the following conditions:

(1) The Corporation shall not be in default under provisions of the Indenture;

(2) The supplemental indenture shall require that the additional series of bonds will be issued for the purposes of acquiring or constructing additional public school facilities for the District, or the making of additions, improvements, or extensions to the Project;

(3) The additional series of bonds shall have no priority over the Bonds of prior series;

(4) The Corporation must enter into a new or amended Facility Lease with the District in

which the District obligates itself to increase the base rental under all Facility Leases in amounts sufficient to provide for the payment of the principal of and interest on the additional series of bonds when due;

(5) Provision must be made to increase the Reserve Fund to an amount equal to at least the maximum annual bond service on all series of bonds to be outstanding thereafter.

Additional series of parity bonds may also be issued with the consent of the holders of 60 percent of outstanding bonds without compliance with the above conditions.

Title Insurance. A policy of title insurance insuring either the leasehold interest title of the Corporation in the real property described in the Site Lease (Project Phase IV) or the title of the District in such real property will be provided at or prior to delivery of the Bonds of Series D. Said policy will be payable to the Trustee and will be enforceable in the principal amount of the Bonds of Series D.

Fire and Extended Coverage Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained insurance against loss or damage to any structures constituting part of the Project by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Such insurance shall either (1) be in an amount equal to the replacement cost of the structures subject to deductible clauses of not to exceed the lesser of \$100,000 or the excess of the moneys in the Reserve Fund above one-half of maximum annual debt service for any one loss, or (2) be in an amount and in form sufficient to enable the Corporation (together with moneys in the Reserve Fund) either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Earthquake Insurance. Upon completion of each Phase of the Project, the Corporation shall cause to be maintained earthquake insurance in an amount equal to the replacement cost of the structures, provided coverage is available on the open market from reputable insurance companies. Such earthquake insurance may be subject to a deductible clause not to exceed 10 percent of replacement cost for any one loss. Alternatively, the Corporation may provide earthquake insurance in an amount and form to enable the Corporation either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Use and Occupancy Insurance. While any of the Bonds are outstanding the Corporation shall cause to be maintained use and occupancy or rental interruption insurance to cover total or partial loss of rental income from any structure constituting the Project facilities resulting from damages discussed in the "Fire and Extended Coverage Insurance" and "Earthquake Insurance" paragraphs above in an amount sufficient to pay the total rental due for the period of time allowed for the construction of the structures by the construction contractors plus three months subject to a deductible clause of not to exceed the lesser of thirty days or the excess of the available moneys in the Reserve Fund above one-half of maximum annual debt service, except that such insurance need be maintained as to the peril of earthquake only following completion of construction and only if available on the open market from reputable insurance companies.

Public Liability Insurance. Except as provided below, while any of the Bonds are outstanding the Corporation shall cause to be maintained public liability insurance. Minimum liability limits for such insurance are \$5,000,000 for personal injury or death of one person; \$10,000,000 for personal injury or death of two or more persons in each event; and \$200,000 subject to a deductible clause not to exceed \$5,000, for property damage from each event. Such public liability and property damage insurance may however be in the form of a single limit policy in the amount of \$10,000,000 covering all such risks. Such liability insurance may be maintained in conjunction with any other liability insurance carried by the District.

The Corporation shall have the right to provide other kinds of insurance or methods or plans of protection against risk or loss which shall be in substitution for the public liability insurance otherwise required to be maintained by the Corporation, providing such other kinds of insurance, plans or methods, shall afford reasonable protection to the Corporation, its members, directors, officers, agents and employees and the Trustee giving consideration to cost, availability and plans or methods of protection adopted by California school districts other than the District.

Eminent Domain. If all or any part of the trust estate shall be taken by eminent domain proceedings, or sold under threat thereof, the proceeds therefrom shall be deposited with the Trustee and applied and disbursed as follows: (a) to be treated

as revenues of the Project if the Project's operation has not been materially affected or the Corporation's ability to meet its obligations has not been impaired; or the proceeds shall be used if needed for repair or rehabilitation of the Project; (b) to be used to redeem Bonds if less than all of the Project shall have been taken by eminent domain and if the Project's operation has been materially affected, or the Corporation's ability to meet its obligations has been impaired; and (c) if all of the Project shall have been taken by eminent domain, the proceeds therefrom and any other available monies shall be used to redeem Bonds. If said monies are insufficient the Trustee shall first apply the proceeds to meet the Trustee's costs of litigation and administration of its trusts under the Indenture, and then to payment of principal and interest on the Bonds then outstanding, in full or ratably without preference or priority.

Non-Liability of Individuals. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, member, director or officer, as such, past, present or future, of the Corporation or of any predecessor or successor corporation, either directly or through the Corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and as part of the consideration for the issue thereof expressly waived and released, as provided in the Indenture.

Additional Covenants. The Indenture contains other covenants, including but not limited to, the following whereby the Corporation agrees to:

- (1) Punctually pay the principal and interest on the Bonds as they become due;
- (2) Promptly collect all rents and charges due for the occupancy or use of the Project and to enforce its rights against any tenant who does not pay such rents and charges as they become due;
- (3) Maintain, or cause to be maintained, proper books of record and account;
- (4) Maintain, or cause to be maintained, in good condition and repair the Project facilities;
- (5) Construct and complete Project Phase IV in conformity with the construction contract

(under the construction contract 100% performance bonds and 100% labor and materialmen's bonds will be required of the contractor);

(6) Pay, discharge, or contest any taxes, assessments, or other charges upon the Project or the revenues.

Remedies on Default. In the event of default, the Trustee may, and upon the written request of holders of not less than 25 percent of the principal amount of Bonds outstanding, shall, by notice in writing to the Corporation, declare and cause the principal of all of the outstanding Bonds and the interest accrued thereon to be due and payable immediately.

Events of default by the Corporation are defined by the Indenture to include:

1. Failure to pay principal, interest or redemption premium on Bonds when due.
2. Failure to perform or observe covenants, agreements, or conditions in the Indenture or in the Bonds for a period of sixty (60) days after notice thereof is given to the Corporation.
3. Termination of the corporate existence of the Corporation.
4. Admission by the Corporation that it is unable to pay its debts, or certain other acts of bankruptcy or insolvency of the Corporation.
5. If under the provisions of any bankruptcy law, a court appoints a receiver or assumes custody or control of the Corporation or a substantial part of its property, or approves a petition seeking reorganization of the Corporation, failure of the Corporation to terminate or stay such order, judgment or decree, or custody or control within sixty days.

If one or more events of default continue, the Trustee may, in its discretion, and upon the written request of the holders of not less than a majority of the principal amount of Bonds outstanding, and

upon being indemnified to its satisfaction, shall proceed with any of the following remedies: enter and take possession of the trust estate, institute legal proceedings by a suit in equity or action at law, or sell the trust estate. The holders of a majority of the bonds outstanding have the right to direct the time, method, and place of conducting any remedy, or to exercise any trust or power conferred upon the Trustee under the Indenture. In the event of sale of the trust estate, all of the Bonds shall become due and payable, if not already declared due and payable.

For a more complete discussion of bondholder and trustee powers in the event of default, reference is made to the Indenture.

The foregoing summary discussion of selected provisions of the 1975 Indenture and the Fourth Supplemental Indenture to the 1975 Indenture is made subject to all of the provisions of the 1975 Indenture and the Fourth Supplemental Indenture to the 1975 Indenture. The foregoing summary discussion does not purport to be a complete statement of such provisions. For full details, prospective purchasers of the Bonds of Series D are referred to the complete text of the 1975 Indenture and the Fourth Supplemental Indenture to the 1975 Indenture in the Basic Legal Documents accompanying the distribution of this Official Statement.

Estimated Annual Bond Service

Table 2 shows estimated annual bond service on the Corporation's \$7,400,000 Bonds of Series D based on an 8 percent interest rate that may be bid on the Bonds of Series D. Also shown is the combined actual bond service on the Corporation's Bonds of Series A (until January 1, 1987), the Bonds of Series B, the 1977 Refunding Bonds of Series A (after January 1, 1987), and the Bonds of Series C.

Table 2

SAN DIEGO UNIFIED SCHOOL DISTRICT PUBLIC SCHOOL BUILDING CORPORATION
BONDS OF SERIES D AND OUTSTANDING ISSUES
Estimated Annual Bond Service

Year Ending July 1	Series D Bonds Outstanding	Interest Estimated at 8 Percent	Series D Principal Maturing July 1	Series D Estimated Bond Service	All Prior Issues Bond Service ^①	Estimated Total Bond Service
1980	\$7,400,000	\$ 345,333.33 ^②	\$ —	\$ 345,333.33	\$ 8,132,190.00	\$ 8,477,523.33
1981	7,400,000	592,000.00 ^②	—	592,000.00	8,196,190.00	8,788,190.00
1982	7,400,000	592,000.00 ^②	—	592,000.00	8,192,240.00	8,784,240.00
1983	7,400,000	592,000.00	195,000	787,000.00	8,174,340.00	8,961,340.00
1984	7,205,000	576,400.00	215,000	791,400.00	8,192,490.00	8,983,890.00
1985	6,990,000	559,200.00	230,000	789,200.00	8,192,690.00	8,981,890.00
1986	6,760,000	540,800.00	250,000	790,800.00	8,208,390.00	8,999,190.00
1987	6,510,000	520,800.00	270,000	790,800.00	8,071,196.25	8,861,996.25
1988	6,240,000	499,200.00	290,000	789,200.00	7,904,602.50	8,693,802.50
1989	5,950,000	476,000.00	310,000	786,000.00	7,971,202.50	8,757,202.50
1990	5,640,000	451,200.00	335,000	786,200.00	7,995,117.50	8,781,317.50
1991	5,305,000	424,400.00	365,000	789,400.00	8,053,947.50	8,843,347.50
1992	4,940,000	395,200.00	395,000	790,200.00	8,097,157.50	8,887,357.50
1993	4,545,000	363,600.00	425,000	788,600.00	8,186,927.50	8,975,527.50
1994	4,120,000	329,600.00	460,000	789,600.00	8,233,765.00	9,023,365.00
1995	3,660,000	292,800.00	495,000 ^③	787,800.00	8,381,777.50	9,169,577.50
1996	3,165,000	253,200.00	535,000 ^③	788,200.00	4,621,927.50	5,410,127.50
1997	2,630,000	210,400.00	580,000 ^③	790,400.00	4,668,870.00	5,459,270.00
1998	2,050,000	164,000.00	630,000 ^③	794,000.00	4,715,335.00	5,509,335.00
1999	1,420,000	113,600.00	680,000 ^③	793,600.00	4,777,690.00	5,571,290.00
2000	740,000	59,200.00	740,000 ^③	799,200.00	2,730,500.00	3,529,700.00
Total ..		\$8,350,933.33	\$7,400,000	\$15,750,933.33	\$151,698,546.25	\$167,449,479.58

① Incorporates debt service on the Series A Bonds until January 1, 1987 and on the 1977 Refunding Bonds Series A after January 1, 1987. The 1977 Refunding Bonds Series A were sold on June 14, 1977 and provided funds sufficient (together with other available funds) to redeem the 1975 Series A Bonds on January 1, 1987.

② Interest on the Bonds of Series D funded from bond proceeds from December 1, 1979 through January 1, 1982.

③ Callable from any source of funds on or after July 1, 1990.

Source: Stone & Youngberg Municipal Financing Consultants, Inc.

THE PROJECT

Organization for Project Implementation

To facilitate the timely implementation of the voter approved building program, the Board of Education of the San Diego Unified School District adopted an organization plan designated as the "San Diego Schools Project Design, Management, and Construction Team."

Mr. Charles T. Glenn, Deputy Superintendent of Administration, has been designated project Coordinator, responsible to Dr. Thomas L. Goodman, Superintendent, and the Board of Education.

Mr. Glenn holds an M.B.A. degree from Stanford University Graduate School of Business and has had 30 years of professional school business management experience. Prior to assuming the duties as Deputy Superintendent of Administration on July 1, 1977, Mr. Glenn had served the District as Assistant Superintendent, Business Services Division.

As Coordinator for the Corporation's financing of construction, Mr. Glenn is responsible for the overall direction and coordination of Project implementation activities of the Finance Department and operating divisions of the District; Schools Attorney's Office; and coordination with the San Diego Unified School District Public School Building Corporation. Mr. Glenn is assisted by the following District staff:

Mr. Ronald Oakes, Controller. Mr. Oakes, who holds an M.B.A. degree in Business Administration from the Harvard Graduate School of Business Administration, has had over 20 years of experience in private business as controller and chief financial administrator. Mr. Oakes directs project budgeting, accounting, and related financial planning functions for the District.

Mr. Ralph D. Stern, Schools Attorney. Mr. Stern holds a Juris Doctor degree from the University of Chicago Law School. He was selected as Assistant Schools Attorney in 1971 and has

held the position of Schools Attorney since July 1, 1973. Mr. Stern is responsible for legal affairs of the District as they relate to Project implementation.

In addition to the above, other selected District staff personnel who provide assistance include Mr. J. V. Ward, Facilities Planning Coordinator, Business Services Division; and, Mr. Richard E. Canner, Schools Architect.

Important advisory and liaison services are also provided by Mr. Irving L. McClure, Director, Elementary Division, and Mr. George D. Smith, Director, Secondary Division.

Project Phases and Bond Series

The Board of Education has grouped the voter approved 22 school building program into the following phases for Project implementation purposes.

Project Phase I. Acquisition and construction of eleven permanent elementary schools. On July 9, 1975, the Corporation sold Bonds of Series A in the principal amount of \$37,250,000 to finance construction of Project Phase I facilities. These facilities are now completed. The Corporation sold on June 14, 1977 \$28,300,000 1977 Refunding Bonds, Series A to be used to redeem on January 1, 1987 the outstanding Bonds of Series A.

Project Phase II. Construction of one permanent junior high school and two permanent junior-senior high schools. On September 30, 1975, the Corporation sold Bonds of Series B in the principal amount of \$35,000,000 to finance construction of Project Phase II facilities. These facilities are now completed.

Project Phase III. Construction of four permanent elementary schools and two permanent career centers. The \$17,110,000 principal amount of the Corporation's Bonds of Series C were sold on August 23, 1977 to finance construction of Project Phase III facilities. These facilities are now completed.

Project Phase IV. The \$7,400,000 principal amount of the Corporation's Bonds of Series D are being offered for sale to obtain a portion of the funds needed for the construction of University City High School facilities. At or prior to the delivery of the Bonds of Series D, the Corporation by written order will direct the Trustee to transfer \$5,600,000 of moneys available in the Project A and C Construction Accounts to the Project D Construction

Account for Project Phase IV purposes. In addition, at or prior to the delivery of the Bonds of Series D, the District will transfer to the Trustee \$4,576,509 of available funds to the Project D Construction Account for Project Phase IV purposes.

With the completion of Project Phase IV (University City High School), the Corporation will have constructed for lease to the District 21 of the 22 school facilities approved by voters on November 5, 1974. The remaining originally planned facility, a Career Center addition at Crawford High School, has been deleted from the construction program since funding from the Regional Occupational Program has been sufficient to provide for the needed career education requirements.

Bonds of Series D Requirement

The District has received competitive sealed construction bids for Project Phase IV facilities. The low bid was submitted by Trepte Construction Company, Inc., of San Diego, California at \$19,099,509.

Upon delivery of the Bonds of Series D, the Corporation will enter into a construction contract with the previously named construction firm for construction of Project Phase IV facilities in accordance with plans and specifications prepared by consulting architects and approved by the District at an estimated cost of \$17,199,509 (\$19,099,509 less a deductive change order which is being prepared and is estimated to be approximately \$1,900,000). The Office of State Architect has approved the plans and specifications for the Project Phase IV facilities and has certified their conformance to fire, safety, and earthquake structural safety standards. Completion of all facilities is scheduled by September 1, 1981.

The contractor for Project Phase IV facilities will furnish 100% faithful performance and 100% labor and materialmen's bonds. The contractor is also required to carry insurance under terms of the construction contract. This insurance includes extended coverage, earthquake, fire, public liability, property damage, and workmen's compensation. The above described insurance is to be provided by the contractor during the construction period and until

the facilities have been accepted by the District and the Corporation. The Corporation will provide a title insurance policy in the face amount of the Bonds of Series D.

The following tabulation shows the estimated cost of Project Phase IV facilities and the principal amount of Bonds of Series D to be issued by the Corporation.

San Diego Unified School District Public School Building Corporation Bonds of Series D Requirement

Construction	\$17,199,509 ^①
Construction Contingency	300,000
Costs of Bond Issuance and Title Insurance	135,000
Subtotal	\$17,634,509
Funded Interest on Bonds of Series D Through January 1, 1982 @ 8 percent	1,233,334
Reserve Fund	799,200 ^②
Total Funding Requirements .	\$19,667,043
Less:	
Transfer from Project A and Project C Construction Accounts to Project D Construction Account	\$ 5,600,000
Transfer of District Funds	4,576,509
Investment Income During Construction Period	2,090,534 ^③
Subtotal	\$12,267,043
Bonds of Series D Requirement	\$ 7,400,000

① Construction bid @ \$19,099,509 less deductive change order estimated to be approximately \$1,900,000.

② See Table 2 estimated maximum annual debt service on Bonds of Series D on page 26.

③ Consists of investment income on \$9,375,000 par value of invested Reserve Fund moneys estimated at \$1,400,000 during the construction period plus approximately \$690,500 during the construction period from the investment of: Bonds of Series D Reserve Fund and Funded Interest Account; net Bond proceeds of \$5,367,466; and \$10,176,509 of Corporation and District transfers to the Project D Construction Account.

DISTRICT ORGANIZATION AND FINANCIAL DATA

Organization

The information contained herein concerning the San Diego Unified School District is included because the District is the proposed lessee of Project Phase IV. However, the Series D Bonds are bonds of the Corporation and are not a debt or obligation of the District.

The San Diego Unified School District provides elementary and secondary school educational services to residents of a 196 square-mile area that includes most of the City of San Diego and a small adjoining unincorporated area. The City of San Diego, founded in 1769, is the oldest city in the State of California. The District has operated as a unified school district under the Laws of the State of California continuously since 1936. The District is governed by an independent Board of Education of five members who are elected at large for overlapping four-year terms. The Superintendent, who

is appointed by the Board of Education, administers the District's affairs in accordance with policies of the Board of Education. The present superintendent, Dr. Thomas L. Goodman, has served the District in this capacity since 1971. Dr. Goodman has had more than 24 years of professional experience in public education and administration.

Dr. Goodman is directly assisted by Mr. Charles T. Glenn, Deputy Superintendent for Administration, and Dr. Ralph Patrick, Deputy Superintendent for Operations. See "The Project" section of this Official Statement for a listing of various other administrative personnel.

Facilities and Attendance

The District's facilities include 121 elementary schools, 21 junior high schools, 16 senior high schools, 1 junior-senior high school, 2 continuation schools, 36 pre-school children centers and 6 special education centers. The 1979/80 General Fund budget, which exceeds \$293.7 million, provides for the employment of 6,130 full-time certificated, 4,716 full-time classified, 435 administrative, and 5,628 part-time certificated and classified employees. Enrollment in District schools as of September 29, 1979 was 111,633. District assessed valuations, average daily attendance, and assessed valuation per student in average daily attendance for the five most recent complete school years, 1976/76 through 1979/80, are shown in Table 3.

Table 3
SAN DIEGO UNIFIED SCHOOL DISTRICT
Assessed Valuation and Average Daily Attendance

Fiscal Year	Assessed Valuation ^①	Average Daily Attendance	Assessed Valuation Per Unit Average Daily Attendance
1974/75	\$2,282,975,632	126,360	\$18,067
1975/76	2,520,473,747	125,815	20,033
1976/77	2,863,981,313	124,403	23,022
1977/78	3,208,681,850	122,698	26,151
1978/79	3,298,437,261	113,209 ^②	29,137

① Net after adjustment for redevelopment agency increment.

② Reflects substantial reduction over prior years in the District's summer school program following passage of Proposition 13.

Sources: San Diego County Auditor and Controller (Assessed Valuations), and San Diego Unified School District (Average Daily Attendance).

These data indicate the District's assessed valuation increased approximately 44.5 percent and assessed valuation per unit of average daily attendance increased approximately 61.3 percent over this period. Average daily attendance of 113,209 in 1978/79, which reflects substantial reductions in the District's summer school program following passage of Proposition 13, represents decreases of approximately 7.7 percent from 1977/78 and 10.5 percent since 1974/75.

Assessed Valuations

The San Diego County Assessor assesses property for District tax purposes. The State Board of Equalization reported that 1977/78 San Diego County valuations averaged 24.6 percent of full market value, except for public utility property, which was assessed by the State at 25 percent of full value. Ratios of County assessments to full market value for 1978/79 and 1979/80 are not available.

Under California law, two types of exemptions of property from ad valorem taxes became effective in the 1969/70 fiscal year. One exempts 50 percent of the value of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. Under a Constitutional Amendment, the California Legislature can raise this exemption. Revenue estimated to be lost to each taxing entity as a result of such exemptions is fully reimbursed to the taxing entity from state funds. The reimbursement is based upon total

taxes which would be due on the assessed valuation of the property qualifying for these exemptions, without allowance for tax collection delinquencies.

Table 4 shows the District's 1979/80 assessed valuation by tax roll before and after giving effect to these two exemptions which totaled \$330,118,729 in the aggregate. These data reflect the implementation of Article XIII A of the California Constitution (Proposition 13) as discussed in this Official Statement under the Subsection entitled "1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation" beginning on page 10.

Table 5 at the top of page 31 shows a five-year history of the District's assessed valuations by tax roll prior to deductions for homeowner and business inventory exemptions.

Pursuant to legislation approved by the Governor on October 2, 1979, business inventories will be entirely exempt from taxation in 1980/81 and each fiscal year thereafter. This law further provides a formula for reimbursement by the State to cities, counties, cities and counties, special districts and school districts for the amount of tax revenue lost by reason of such exemption, as adjusted for percentage changes in the population and the cost of living.

Based on 1979/80 assessed valuation data, business inventory exemptions within the District (\$116,513,459) constituted 3.02 percent of net assessed valuation after adjustment for redevelopment agency increments (\$3,849,746,756).

Table 4
SAN DIEGO UNIFIED SCHOOL DISTRICT
1979/80 Assessed Valuation^①

Tax Roll	Taxable Assessed Valuation	Homeowner Exemptions	Business Inventory Exemptions	Assessed Valuation for Revenue Purposes
Secured	\$2,889,719,731	\$213,103,845	\$ 18,312,803	\$3,121,136,379
Unsecured	460,267,918	501,425	98,194,816	558,964,159
Utility	193,332,880	—0—	5,840	193,338,720
Total	\$3,543,320,529	\$213,605,270	\$116,513,459	\$3,873,439,258

^① Not adjusted for redevelopment agency increment which would reduce the total assessed valuation for revenue purposes by \$23,692,502 to \$3,849,746,756 as shown in Table 5.

Source: San Diego County Auditor and Controller.

Table 5**SAN DIEGO UNIFIED SCHOOL DISTRICT****Assessed Valuations by Tax Roll^①**

Tax Roll	1975/76	1976/77	1977/78	1978/79	1979/80
Secured roll	\$2,066,952,798	\$2,367,828,174	\$2,659,203,438	\$2,653,907,933	\$3,115,627,974
Unsecured roll	330,608,329	360,045,909	391,975,952	473,631,938	543,076,672
Utility roll	122,912,620	136,107,230	157,502,460	170,897,390	191,042,110
Total	\$2,520,473,747	\$2,863,981,313	\$3,208,681,850	\$3,298,437,261	\$3,849,746,756

① Net after adjustment for redevelopment agency increment.

Source: San Diego County Auditor and Controller.

Tax Rates

Section 1(a) of Article XIII A of the California Constitution limits any ad valorem tax on real property to one percent of the full cash value of such property, beginning in 1978/79; however this limitation is not applicable to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by voters prior to the effective date of Article XIII A of the California Constitution (July 1, 1978).

The District's total property tax rate for 1979/80 is \$0.37 per \$100 assessed valuation for the following purposes: bond interest and redemption @ \$0.088; State School Building loan repayment @ \$0.052; and long-term leasing of school facilities @ \$0.230.

Table 6 shows the District's property tax rates over the five-year period 1975/76 through 1979/80. These data are presented for historical comparisons with reference only to the time period of the years shown inasmuch as the passage of Proposition 13, now Article XIII A of the California Constitution and implementing legislation adopted by the state legislature obviates utilization of separate agency public agency tax rates for the apportionment of property taxes. Because of legislation adopted by the state legislature to implement Article XIII A of the California Constitution, the bulk of local revenues generated by property taxes prior to 1978/79 have been replaced by state apportionments and appropriations in the 1978/79 and 1979/80 fiscal years.

Table 6**SAN DIEGO UNIFIED SCHOOL DISTRICT****Property Tax Rates**

	1975/76	1976/77	1977/78	1978/79	1979/80
General Non-Categorical	\$3.837	\$3.862	\$3.906	\$ —	\$ —
Bond Interest and Redemption . . . . .	.251	.175	.148	.156	.088
Other Categorical . . . . .	.760 ^①	.712 ^①	.664 ^①	.205 ^②	.282 ^②
Total	\$4.848	\$4.749	\$4.718	\$.361	\$.370

① Earthquake safety; meals for needy; community services; State School Building loan repayment; child development; development center; voter-approved modifications of existing facilities; and eligible equipment, site acquisition, site preparation, preparation of plans and specifications, and lease-rental payments for voter-approved facilities.

② State School Building loan repayment and long-term leasing of school facilities.

Source: San Diego Unified School District.

Tax Code Area 8001 (1979/80 taxable assessed valuation of \$2,947,407,425) represents 83 percent of the District's 1979/80 taxable assessed valuation.

Total tax rates per \$100 assessed valuation in this Tax Code Area for the past five years are shown in Table 7.

Table 7

TAX CODE AREA 8001

Property Tax Rates

Entity or Purpose	1975/76	1976/77	1977/78	1978/79	1979/80
San Diego County	\$ 2.621	\$2.282	\$1.825	\$4.000	\$4.000
City of San Diego	1.733	1.548	1.357	①	①
San Diego Unified School District	4.848	4.749	4.718	.361	.370
Other Educational Purposes .....	.828	.778	.774	①	①
Total	\$10.030	\$9.357	\$8.674	\$4.517	\$4.413

① As a result of the passage of Proposition 13, the maximum tax rate for all taxing entities in the County of San Diego is an effective \$4 per \$100 of assessed valuation, plus such additional amount as is necessary to cover certain voter-approved outstanding indebtedness. The California legislature has adopted legislation apportioning the property tax among the various taxing agencies in the County.

Source: San Diego County Auditor-Controller.

Principal Taxpayers

San Diego County does not compile a listing of the largest ad valorem taxpayers within particular entities in the County; however, within the District, principal property taxpayers include: Pacific Telephone Company; San Diego Gas and Electric Company; Solar Corporation; General Dynamics Corporation; General Atomic Company; and Copley Press, Inc.

Tax Levies, Collections, and Delinquencies

School District secured taxes appear on the same tax bill as County and City taxes, are payable in equal installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Taxes on properties appearing on the unsecured roll are assessed on March 1 and become delinquent the following August 31. Table 8

Table 8

SAN DIEGO UNIFIED SCHOOL DISTRICT

Secured Tax Levies, Collections, and Delinquencies

Fiscal Year	Secured Tax Levy	Amount Collected (June 30)	Amount Delinquent (June 30)	Percent Delinquent (June 30)	Total Collections (June 30) ①	Percent Collected
1974/75	\$ 76,176,542	\$ 74,329,163	\$1,847,379	2.43%	\$ 75,445,351	99.04%
1975/76	89,315,873	86,876,680	2,439,193	2.73	NA	NA
1976/77	101,924,582	99,856,374	2,068,208	2.03	102,121,214	100.19
1977/78	115,535,381	113,531,905	2,003,476	1.73	115,514,429	99.98
1978/79②	56,089,697	54,416,702	1,672,995	2.98	56,131,107	100.07

① Includes prior years' redemptions, penalties, and interest.

② First year of reduced tax levies under Proposition 13.

Source: San Diego County Auditor and Controller.

summarizes the general purpose secured tax levies and the amount and percentage of the levy delinquent as of June 30 for the past five fiscal years in the District's tax code areas. The Table also provides the total collections in each of the last five fiscal years. During this period the rate of current year tax delinquency averaged 2.38 percent.

General Fund Revenues and Expenditures

Table 9 shows a four-year summary of General Fund revenues and expenditures for the years 1975/76 through 1978/79. Also shown in Table 9 are the annual budget appropriations and variances to actual expenditures and outgoing transfers.

Table 9

SAN DIEGO UNIFIED SCHOOL DISTRICT

Summary of General Fund Revenues, Expenditures, and Fund Balances

	1975/76	1976/77	1977/78	1978/79
Beginning Fund Balance	\$ 9,757,791	\$ 14,493,230	\$ 17,115,420	\$ 31,184,922
Revenues				
Federal Sources	\$ 20,045,191	\$ 19,849,526	\$ 28,298,658	\$ 38,012,721
State Sources	56,129,721	58,624,982	65,101,983	132,556,223
County Sources	1,874,486	2,168,390	2,519,920	2,096,057
Local Sources				
District Taxes	100,108,220	115,836,370	131,442,268	69,203,517
All Other Local Sources	5,206,412	6,388,562	3,300,729	9,410,268
Total Revenues	\$183,364,030	\$202,867,830	\$230,663,558	\$251,278,786
Incoming Transfers	478,661	84,086	538,159	4,717
Total Revenues and Incoming Transfers	\$183,842,691	\$202,951,916	\$231,201,717	\$251,283,503
Total Available Funds	\$193,600,482	\$217,445,146	\$248,317,137	\$282,468,425
Expenditures				
Certificated Salaries	\$104,536,670	\$109,591,190	\$118,918,508	\$124,374,744
Classified Salaries	29,326,174	31,871,302	36,758,437	41,336,717
Employee Benefits	16,124,019	19,301,185	22,624,166	26,274,049
Books, Supplies, and Equipment Replacement	7,371,896	7,891,475	9,757,223	9,887,083
Contracted Services and Other Expenses	7,436,339	8,974,165	11,045,421	12,158,204
Capital Outlay	9,790,547	18,282,724	15,694,460	12,007,029
Debt Service	97,218	439,979	1,633,956	5,561,561
Outgoing Tuition	117,065	958,700	1,096,860	1,384,876
Adjustments to Accounts Receivable and Payable	(164,208)	4,931	(405,433)	233,077
Total Expenditures	\$174,635,720	\$197,315,651	\$217,123,598	\$233,217,340
Outgoing Transfers	\$ 4,471,532	\$ 3,014,075	\$ 8,617	\$ 1,565,103
Total Expenditures and Outgoing Transfers	\$179,107,252	\$200,329,726	\$217,132,215	\$234,782,443
Budget Appropriations	\$193,001,608	\$217,877,703	\$251,193,068	\$281,747,708
Variance to Actual Expenditures and Outgoing Transfers	\$ 13,894,356	\$ 17,547,977	\$ 34,060,853	\$ 46,965,265
Ending Fund Balance	\$ 14,493,230	\$ 17,115,420	\$ 31,184,922	\$ 47,685,982

Sources: San Diego Unified School District Financial Statements and Supplementary Data for the years ending June 30, 1976 through June 30, 1978 prepared by Peat, Marwick, Mitchell & Co. Data for the year ending June 30, 1979 are preliminary to completion of the District's Financial Statements and Supplementary Data for the year ending June 30, 1979 by Peat, Marwick, Mitchell & Co.

Fund Balances

A summary of the District's fund balances as of June 30 for each of the past four years is presented at the top of page 35.

1979/80 General Fund Budget

Table 10 at the bottom of page 35 presents the District's 1979/80 General Fund Budget, per Form J-41 of the California State Department of Education, adopted by the Board of Education on August 9, 1979. Also shown in Table 10 are comparative data for fiscal year 1978/79.

Data for 1978/79 actual General Fund Balances, Revenues, and Expenditures shown in Table 10 differ from the comparable 1978/79 items shown previously in Table 9 due to the consolidation of General Fund, Retirement Fund, and Self-Insurance Fund data by the District's auditors. Data for the General Fund, Retirement Fund, and Self-Insurance Fund are treated separately in Form J-41 of the California State Department of Education.

Employer-Employee Relations

The San Diego Unified School District has been negotiating agreements with four bargaining units under the California Rodda Act since 1977. These bargaining units consist of approximately: a 5,800 teacher unit; a 1,200 office-technical and business service unit; a 1,900 operation-support service unit; and a 40 person security unit. Managers, supervisors and paraprofessionals are not organized. During this period of collective negotiation agreement executed under the Rodda Act, the District has experienced no work stoppage and employee relations with all bargaining units are deemed to be excellent. All agreements for fiscal year 1979/80 are one-year agreements.

Pension Plans

The District participates in the State of California Teachers' Retirement System (STRS). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 1978/79 totaled \$10,548,520 which includes \$1,007,113 charged to State and Federal funded projects, contracts, and STRS payments for sick leave accumulated by retirees. The District's contribution to STRS in fiscal year 1979/80 is budgeted at \$11,488,470.

The District also participates in the State of California Public Employees' Retirement System (PERS). This plan covers all classified personnel who are employed at least 50 percent of the work-week. The District's contribution to PERS for 1978/79 amounted to \$4,207,299 and is budgeted in 1979/80 at \$6,017,812.

The State Teachers' Retirement System (STRS) operates under provisions of the State Education Code. The System includes California public teachers from preschool through grade fourteen and certain other employees of the public school system. There were approximately 335,100 active and inactive members, 75,351 benefit recipients, and 1,149 participating agencies at June 30, 1978. Membership is mandatory for all certificated employees meeting the eligibility requirements.

The System is financed by earnings from investments and contributions from members, school districts, and the State of California, which pays \$144,300,000 annually to the year 2002, subject to annual legislative appropriation. Under present rules, members contribute eight percent of applicable earnings, and school districts contribute a percentage of applicable member earnings rising to eight percent beginning July 1, 1978. However, under legislation enacted in 1977, new increased rates, effective July 1, 1979, would result in total contributions of 21 percent of payroll after a five-year period. The employer rate would increase to 10 percent, and the State of California would contribute three percent, with the employee rate remaining at eight percent.

Actuarial valuations of the System are based upon the entry-age-normal cost method, which is a projected benefit cost method wherein level normal cost rates (contributions) are computed sufficient to fund benefits over the entire service life of members. The System's financial statements are prepared on the accrual basis of accounting.

At June 30, 1978, the total unfunded obligation of the System was \$10,904,000,000, as determined by the independent actuary. This includes the present value of future State contributions provided by the State Teacher's Retirement Law (\$1,643,000,000).

Comparable figures for June 30, 1977 were \$9,894,721,919 and \$1,666,000,000, respectively. In the opinion of the Chief Executive Officer for STRS, the additional contributions referred to above, while helpful, will not solve the funding problem.

Chapter 282, Statutes of 1979 signed into law by the Governor on July 24, 1979 increases the

SAN DIEGO UNIFIED SCHOOL DISTRICT

Fund Balances as of June 30

Name of Fund	1976	1977	1978	1979
General	\$14,493,230	\$17,115,420	\$31,184,922	\$47,685,982
Bond Interest and Redemption	4,741,177	4,656,518	4,306,969	4,535,119
Building	3,441,061	8,094,424	2,702,151	206,428
Special Reserve	62,556	1,973,102	1,051,967	1,390,710
State School Building	7,987,526	969,204	440,236	290,581
Child Development	1,457,306	1,510,976	1,320,655	194,369
Development Center Handicapped Pupils	167,324	136,844	224,590	318,044
Retirement Trust	2,046,347	1,779,798	1,731,737	1,675,409
Special Trust	163,619	220,497	361,856	390,239
Workers' Compensation Self Insurance Trust ...	—	505,167	—	—

Sources: San Diego Unified School District Financial Statements and Supplementary Data for the years ending June 30, 1976 through June 30, 1978 prepared by Peat, Marwick, Mitchell & Co. Data for the year ending June 30, 1979 are preliminary to completion of the Financial Statements and Supplementary Data for the year ending June 30, 1979 by Peat, Marwick, Mitchell & Co.

Table 10

SAN DIEGO UNIFIED SCHOOL DISTRICT

1978/79 Actual and 1979/80 Budgeted

General Fund Income and Expenditures

	1978/79 Actual	1979/80 Budget
Beginning Balance	\$ 29,495,261	\$ 43,813,934
Revenues		
Federal Income	38,012,721	27,106,184
State Income	132,556,223	140,598,378
County Income	2,096,057	889,438
Property Taxes	68,944,367	80,035,007
Other Local Income	9,018,872	1,910,869
Incoming Transfers	54,717	—
Total Income	\$250,682,957	\$250,539,876
Total Revenues Available	\$280,142,218	\$294,353,810
Expenditures		
Certificated Salaries	\$124,374,744	\$141,794,104
Classified Salaries	41,336,717	44,193,969
Employee Benefits	28,052,967	31,902,453
Books, Supplies and Equipment Replacement	9,887,083	15,506,001
Contracted Services and Other Operating Expenses	12,158,204	18,641,870
Sites, Buildings, Books and Media, and Equipment	12,007,029	19,127,010
State School Building Loan Repayment, ROP and Exceptional Child Tuition, and Interfund Transfers and Other Outgo	8,511,540	22,564,728①
Total Expenditures	\$236,328,284	\$293,730,135
Ending Balance June 30	\$ 43,813,934	\$ 623,675

① Includes \$6,774,468 appropriated for contingencies.

Source: San Diego Unified School District Annual Financial and Budget Report for the fiscal year July 1, 1979 through June 30, 1980, Form J-41, California State Department of Education.

State's contribution to the State Teachers' Retirement System in order to stabilize the ratio of unfunded liability to payroll. Additional State funds are to be provided by increasing the present \$144.3 million State payment annually by annual increases in the Consumers Price Index (CPI), and increasing the present State contribution up to \$280 million annually in 15 years. After the fifteenth year, the added State contribution is inflated by annual increases in the CPI. The scheduled increase in State contributions is as follows:

1980/81	\$ 10 million
1981/82	\$ 20 million
1982/83	\$ 40 million
1983/84 through 1994/95	\$ 20 million
1995/96	\$280 million
	plus CPI

Source: Legislature A.B. No. 8 Conference Committee Report Long Term Local Government and School Financing, July 19, 1979.

The State Teachers' Retirement System's actuary is Milliman & Robertson, Inc., of San Francisco, California; Investment Counsel for equities is Scudder, Stevens & Clark, San Francisco, California; Auditor is Coopers & Lybrand, Sacramento, California.

The State Public Employees' Retirement System (PERS) was originally established in 1931. As of June 30, 1978, there were 588,923 members, of whom approximately 10% are classified as "safety" members (principally fire and police duties) and the balance are classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately one-third of the members are state personnel and the balance are local public agency personnel. As of June 30, 1978, the System provided retirement, death and survivor benefits under 1,008 contracts for local public agency employers (cities, counties, school districts, special districts and other public bodies) with 399,614 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1978 were \$10,155,891,520 according to the annual audit. Of this amount net assets of \$9,922,946,249 were available for benefits.

The annual contribution by employers for the 1977/78 fiscal year was \$869,084,148. The annual contribution by employees for the 1977/78 fiscal year was \$351,123,459.

The most recent actuarial valuation, performed by PERS, utilized census data as of June 30, 1977. The total unfunded obligation of the System was determined to be \$7,544,156,734. The method used was entry-age-normal cost, which is a projected benefit cost method wherein level employer normal cost rates, considering present member contributions, are calculated at amounts sufficient to fund benefits over the entire service life of members.

Except for the pooling of certain miscellaneous public agency members, actuarial evaluations are performed for each participating employer, and the total accrued actuarial liability noted above is the sum of the individual employer accounts. According to the PERS annual report, public agency employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.

The System's financial statements are prepared on an accrual basis of accounting and the System's auditor is Touche Ross & Co., San Francisco, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being required no less than every four years under the Retirement Law.

Bonding Capacity and Debt Statement

The State of California Education Code provides that a unified school district shall not enter into any long term leases of buildings if the combination of: (a) 50 percent of the District's rental payments under such leases, plus (b) the outstanding district general obligation bonded indebtedness, exceeds 12.5 percent of the district's taxable assessed valuation plus homeowners' and business inventories exemptions.

Based on the District's 1979/80 assessed valuation for this purpose, the 12.5 percent limit on the currently outstanding lease rental and general obligation bonded debt equals \$481,218,344.

Fifty percent of the District's aggregate rental payment obligations (including additional rental) resulting from the issuance of the Corporation's

Bonds of Series A totals \$35,167,440. Fifty percent of the District's aggregate rental payment obligations (including additional rental) resulting from the issuance of the Corporation's Bonds of Series B total \$29,034,688. Fifty percent of the District's aggregate rental payment obligations (including additional rental) resulting from the issuance of the Corporation's Bonds of Series C total \$14,663,439. Fifty percent of the District's aggregate rental payment obligations resulting from the issuance of the Corporation's Bonds of Series D currently being offered (including additional rental) is estimated at \$7,348,800, assuming an interest rate of 8 percent is bid on the Bonds of Series D.

The tabulation to the right shows that fifty percent of the District's estimated lease rental obligations plus direct general obligation bonded debt (\$107,884,028) will approximate 22.4% of the District's general obligation bonded debt and lease rental limitation (\$481,218,344).

The direct and estimated overlapping bonded debt of the District, as of November 1, 1979, is shown in Table 11 on page 38.

The aggregate principal amount of the Corporation's outstanding Bonds of Series A, B, and C, plus the \$7,400,000 of Bonds of Series D currently

being offered are shown for informative purposes only since Bonds of the Corporation are not a debt or obligation of the District.

The District's share of authorized and unsold bonds are: \$22,082,500 Metropolitan Water District, \$3,598,980 City of San Diego Penasquitos Sewer District Bonds, and \$44,036,000 San Diego Open Space Park Facilities District No. 1. State School Building aid repayable as of September 30, 1978 was \$27,158,630.

DISTRICT OBLIGATIONS

November 1, 1979

	Amount
General Obligation Bonds Outstanding	\$ 21,669,661
Fifty Percent of Aggregate	
Lease Rentals	
a. Project Phase I Facility Lease . .	\$ 35,167,440
b. Project Phase II Facility Lease .	29,034,688
c. Project Phase III Facility Lease .	14,663,439
d. Estimated Project Phase IV	
Facility Lease	7,348,800
Total	\$107,884,028

Table 11

SAN DIEGO UNIFIED SCHOOL DISTRICT

Statement of Direct and Estimated Overlapping Bonded Debt^①

Estimated Population	825,700	
1979/80 Assessed Valuation (after adjustment for the redevelopment increment)	\$ 3,849,746,756 ^②	
Public Entity	Percent Applicable	Estimated Debt Applicable November 1, 1979
San Diego County	40.739%	\$ 578,494 ^③
San Diego County Building Authorities	40.739	31,784,568
San Diego County Water Authority	42.322	20,807,611
Metropolitan Water District	6.050	31,153,689
San Diego Community College District (Various Issues)	99.851- 99.921	5,213,838
San Diego County Community College District Authority	99.921	2,488,033
San Diego Unified School District (1951-1960 A Issues)	99.925- 99.992	2,434,661
San Diego Unified School District (Subsequent Issues)	100.	19,235,000
San Diego Unified School District Public School Building Corporation	100.	93,060,000 ^④
Other School and Community College Districts	Various	122,381
City of San Diego	88.072	30,171,706
City of San Diego Building Authorities	88.072	21,789,013
San Diego Open Space Park Facilities District No. 1	88.072	13,210,800
San Diego Unified Port District	75.811	24,733,338
San Diego Penasquitos Sewer District ZA	65.436	4,318,776
Other Cities and Special Districts	Various	1,595,242
Total Gross Direct and Overlapping Bonded Debt		\$302,697,150 ^⑤
Less: Self-Supporting Metropolitan Water District and San Diego County Water Authority Bonds		\$ 50,413,400
City of San Diego Self-Supporting Bonds		9,374,384
San Diego Unified Port District		24,733,338
Total Estimated Net Direct and Overlapping Bonded Debt		\$218,176,028
	Ratio to Assessed Valuation	Per Capita
Assessed Valuation	—	\$4,662
Direct debt (\$114,729,661)	2.98%	139
Net direct and estimated overlapping bonded debt	5.67	264
Gross direct and estimated overlapping bonded debt	7.86	367

① Prepared in cooperation with California Municipal Statistics Inc.

② Includes homeowners' and business inventory exemptions of \$330,118,729.

③ Excludes share of \$4,602,108 San Diego County lease-purchase obligations (\$1,874,853).

④ Excludes \$28,300,000 advance refunding bonds sold on June 14, 1977. Includes \$35,450,000 of 1975 Series A Bonds, \$33,100,000 1975 Series B Bonds, \$17,110,000 Series C Bonds, and \$7,400,000 currently offered Bonds of Series D, all of which are not a debt of the District but are included here for information purposes only.

⑤ Excludes revenue, tax allocation, and refunding bonds.

ECONOMY OF THE DISTRICT

The San Diego Unified School District serves an area of approximately 196 square miles, embracing most of the City of San Diego and adjoining unincorporated areas. The District is located in one of the fastest growing regions in the United States. This is discussed more fully in another section of this Official Statement (see "Metropolitan San Diego").

Approximately 90 percent of the City of San Diego's assessed valuation lies within the District. Accordingly, this portion of the Official Statement is devoted primarily to the city, which contains nearly half the total population of San Diego County.

City of San Diego

The City of San Diego is located 125 miles south of Los Angeles, 525 miles south of San Francisco and 17 miles north of the Mexican border. It grew out of the first California mission—Mission San Diego de Alcalá—founded in 1769. The city was incorporated in 1850, the year California entered the Union.

San Diego covers approximately 389 square miles (including 72 square miles of water) in the southwestern coastal area of San Diego County. City limits extend to the Mexican border around (into the Pacific Ocean) and through the communities of

Chula Vista, National City, and Imperial Beach. The city ranks ninth among the nation's largest cities in terms of population, with more than 825,000 inhabitants. Elevations range from sea level to 1,592 feet.

City Government

San Diego is a chartered city with the Council-Manager form of government. The City Council consists of eight members elected at large for four-year overlapping terms. The Mayor is elected by the people and sits as a ninth member of the Council. The 1978 fiscal year budget was approximately \$250 million providing for over 7,000 employees. Municipal offices are located in the new Community Concourse, in the central business district.

Population

In April 1975 a special countywide census was undertaken by the California Department of Finance. The city's population was reported to be 770,344, a gain of 10.5 percent over the 1970 U.S. Census. The same agency estimates a January 1, 1979 population of 825,700 for the city. The city's population more than doubled between 1950 and 1970, with almost two-thirds of the net increase occurring in the decade of the fifties. U.S. Census tabulations from 1940 through 1970 for the City of San Diego and San Diego County are shown below, together with the most recent estimates.

Housing

Single family homes accounted for 58 percent of the city's total housing stock in January, 1978, compared with slightly less than 65 percent in the April 1970 Census of Housing. Multiple units had

Population Census Data

U.S. Census	City of San Diego	Percent Change	County of San Diego	Percent Change
1940	203,341	—	289,348	—
1950	334,387	64.4%	556,808	92.4%
1960	573,224	71.4	1,033,011	85.5
1970	697,027	21.6	1,357,854	31.4
1979①	825,700	18.5	1,767,500	30.2

① January 1, 1979 estimates by State Department of Finance.

increased to over 40 percent of total units by 1978, with the greatest increase occurring in buildings housing five or more units. This pattern is shown in the tabulation at the bottom of this page, based on reports of the State Department of Finance.

The City of San Diego Planning Department estimates 317,808 housing units in the city as of January 1, 1979, with single family units accounting for 57.2 percent of the total.

In the 1970 Census of Housing, the median value of owner-occupied homes in the city was \$22,500, compared with a countywide figure of \$22,200. Median monthly rent was \$113 in the city and \$117 in the county.

In the 1975 Special Census, approximately 54 percent of all housing units were owner-occupied. The median rent was determined to be \$168 per month.

Income

In the 1975 Special Census, median household income was computed by major statistical areas and subregional areas utilized by the San Diego County Integrated Planning Office in demographic studies. In those statistical areas served by the District, median household income ranged from lows of \$6,665 in Central San Diego and \$8,141 in Midcity to highs of \$17,021 in northeast San Diego and \$17,169 in the University area in and around La Jolla, an area with a high percentage of professional and research people. Citywide, it was determined that more than one-fourth of San Diego's household heads completed four or more years of college.

The tabulation in the column to the right provides a breakdown of household income by income

class in two subregional areas of San Diego County which embrace most of the District. In the Central Area, which includes downtown San Diego and the Peninsula, approximately 22 percent of families surveyed realized annual incomes of \$15,000 or more. In the suburban areas collectively termed North City, the proportion of households in this income classification rose to more than 45 percent.

CITY OF SAN DIEGO

Household Income by Income Class

1975 Special Census

Income Class	Number of Households	
	Central ^①	North City ^①
To \$9,999	61,864	26,291
\$10,000-14,999	19,831	20,683
15,000-19,999	10,201	16,305
20,000-24,999	7,333	11,264
25,000-39,999	3,782	8,598
40,000 and more	1,452	3,078
	104,463	86,219

^① Subregional areas which together cover most of the District.

Source: San Diego County Integrated Planning Office.

The 1979 Survey of Buying Power (Sales and Marketing Management) estimates a median 1978 household effective buying income of \$14,881 for the City of San Diego. An estimated 49.6 percent of all households realized effective buying incomes of \$15,000 or more, according to this source.

CITY OF SAN DIEGO

Type of Housing Units

	Single Units	2-4 Units	5 or More Units	Mobile Homes	Total Units
1970 ^①	155,926	26,890	54,515	3,916	241,247
1975	170,105	36,425	76,129	4,889	287,548
1976	171,829	36,855	77,704	5,011	291,399
1977	173,898	37,383	80,612	4,977	296,870
1978	178,156	38,861	85,144	5,121	307,282

^① April 1970 U.S. Census. Other years are as of January 1.

Source: State Department of Finance, 1975-78 period.

Employment

The San Diego Labor Market Area, as defined by the State Employment Development Department, includes all of San Diego County. As of June 1979, this labor market provided 674,600 jobs for a labor force of 715,200. Compared with the previous June, employment increased 5.1 percent, while the labor force increased 4.2 percent, resulting in a drop in the unemployment rate to a level of 5.7 percent for the most recent monthly reporting period.

Government is the principal category of employment in San Diego County, accounting for nearly 23 percent of all wage and salary jobs in 1978. State and local government employees form the great majority of workers in this classification. Next in importance among the major employment categories are services, retail trade, and manufacturing, in that order.

Annual labor force and employment data for the past five years are shown in the tabulation below.

During this period, personal services firms added 35,100 workers, to rank as the principal source of new jobs, followed by retail trade establishments, which hired 30,900 additional workers.

Based on a percentage rate of increase for the five-year period, the fastest growing employment categories in this labor market were construction, services, retail trade, the finance group of industries, and wholesale trade.

The most recent industry employers and payroll data (calendar year 1977), are tabulated on page 42. During that year, government agencies dispensed payrolls amounting to nearly \$1.7 billion in the county, with local government, federal government and state government in descending order of magnitude. Manufacturing firms and service establishments paid salaries and wages exceeding \$1 billion in each category. Retail trade employers paid workers more than \$762 million during the year.

SAN DIEGO LABOR MARKET

Labor Force, Employment, and Unemployment

	1974	1975	1976	1977	1978
Labor Force ^①	560,200	572,600	600,600	646,600	688,900
Employment	513,700	512,900	539,700	590,500	644,440
Unemployment Rate	8.3%	10.4%	10.1%	8.7%	6.5%
Wage and Salary Employment: ^②					
Construction	24,600	22,800	26,500	32,900	38,000
Manufacturing	76,800	71,900	72,600	77,800	88,500
Transportation, Utilities	22,600	22,500	22,800	24,100	26,000
Wholesale Trade	17,100	17,200	18,500	19,800	21,700
Retail Trade	86,800	90,900	97,000	105,300	117,700
Finance, Insurance, Real Estate	25,000	24,600	26,700	29,800	33,100
Services	97,100	99,600	104,900	116,800	132,200
Government, Federal	37,600	39,200	39,900	40,000	40,400
Government, State and Local	81,000	88,100	90,700	95,900	98,600
Mining	800	800	800	800	700
Agriculture	11,100	11,700	11,300	11,900	13,100
Total	480,500	489,300	511,700	555,100	610,000

① By place of residence.

② By place of work.

Source: State Department of Employment Development.

SAN DIEGO LABOR MARKET

Industry Employers and Payrolls 1977

Industry	Reporting Units	Annual Wages
Agriculture, Fisheries ..	1,459	\$ 125,587,044
Mineral Extraction	22	16,770,354
Contract Construction .	3,349	525,795,800
Manufacturing	1,625	1,045,222,573
Transportation,		
Utilities	644	367,790,789
Wholesale Trade	1,446	255,928,629
Retail Trade	6,880	762,551,498
Finance, Insurance,		
Real Estate	2,860	316,899,814
Services	9,782	1,001,126,947
Federal Government ..	107	564,973,396
State Government	583	254,415,267
Local Government	155	877,322,512
Other	291	7,525,767
Total	29,203	\$6,121,910,390

Source: California Employment Development Department. Based on quarterly reports from private employers and government entities reporting Unemployment Insurance and Disability Insurance taxes or income tax withholding. Excludes domestic workers and self-employed individuals.

Industry

There are more than 1,700 manufacturing plants in the San Diego Metropolitan Area. In 1978 these plants produced products valued at \$4.8 billion, according to an estimate by the Economic Research Bureau, San Diego Chamber of Commerce. Of this total, aerospace firms accounted for \$800 million and shipbuilding companies \$410 million.

In 1977 (latest data available), San Diego County manufacturers paid \$1,045,222,573 in salaries and wages to 75,857 employees, according to state reports, representing increases of approximately 11 percent and 6 percent, respectively, over 1976 payroll reports.

Based on payrolls, the leading industries in San Diego are transportation equipment, non-electrical machinery, and electrical and electronic equipment. Included in these major classifications are aircraft and parts, ship and boat building and repairing, office and computing machines, communications equipment, and electronic components and accessories.

Other major industries in San Diego County are printing and publishing, fabricated metal products, instruments, food products, apparel, and chemicals. The City of San Diego has available land and appropriate zoning for expansion of industry. Within the city limits are 14 industrial parks of 25 acres or more.

The semi-private, non-profit Economic Development Corporation was formed in 1977 to attract new corporate headquarters and industries to San Diego. Funding of half a million dollars for first-year operations in 1978 came from the city, the county, the San Diego Port District, the Chamber of Commerce, and private industry.

Industrial employers in the San Diego Labor Market with 1,000 or more employees are listed on page 43. The largest are General Dynamics Corporation, National Steel and Shipbuilding Company, Pacific Telephone Company, and Rohr Industries, Inc. These and other major employers are discussed in the following paragraphs.

General Dynamics Corporation employs approximately 9,000 persons at its Convair Division, Electronics Division and Datagraphix, Inc. It employs an additional 4,000 workers at the Pomona Division in Pomona, Los Angeles County. San Diego operations include the production of space vehicles, satellites, missiles, data handling and display systems, and various instrumentation and support systems.

General Dynamics has participated in the design and development of a space shuttle system with Rockwell International, and has commitments to the McDonnell Douglas Corporation for the manufacture of fuselage sections for commercial aircraft. The firm is developing an air-launched cruise missile in competition with Boeing. It has also designed a Navy cruise missile for ground and/or submarine launch.

National Steel and Shipbuilding Company is jointly owned by Kaiser Industries and Morrison-Knudsen. Its 6,200 employees build freighters, tankers, and other large vessels. A current \$11.5 million Military Sealift Command contract to convert a mothballed cargo liner into an oceanographic research ship is the largest repair contract in the firm's history. The 563-foot vessel was built by NASSCO in 1965.

Rohr Industries Inc. employs approximately 8,000 people nationally and over 5,000 in the San Diego area. Rohr's primary business is building

power plants for commercial transport planes. It also builds fuselage sections and cargo doors. The company formerly manufactured rail transit cars and buses, but discontinued both businesses in 1978. Rohr Marine, a unit of Rohr Industries, won the contract for design of the Navy's proposed 3,000-ton Surface Effect Ship (SES). As yet, Congress has authorized only limited funds for development of this vessel.

Solar Turbines International, an affiliate of International Harvester, employs 3,200 in the production of industrial turbine packages in generator sets, compressors and mechanical drives. Solar is reported to account for nearly half the world market for industrial turbine packages. Solar constructed a gas turbine manufacturing plant in San Diego which has approximately one million square feet under roof.

SAN DIEGO LABOR MARKET

Principal Industrial Employers

Firm	Product
5,000-9,999 EMPLOYEES:	
General Dynamics Corp., Convair Division	Aerospace
National Steel & Shipbuilding	Ships
Pacific Telephone Co.	Utility
Rohr Industries, Inc.	Aerospace
3,000-4,999 EMPLOYEES:	
Fedmart	Department stores
Foodmaker, Inc.	Food products
San Diego Gas & Electric Co.	Utility
Sears, Roebuck & Co.	Department stores
Solar Turbines International	Gas turbines
2,000-2,999 EMPLOYEES:	
Bank of America N.T. & S.A.	Banks
California First Bank	Banks
Cubic Corp.	Electronic components
General Atomic Co.	Nuclear power systems
Pacific Southwest Airlines	Airline
Safeway Stores	Food markets
1,000-1,999 EMPLOYEES:	
Alpha Beta Acme Markets	Food markets
Atlas Hotels	Hotels
Big Bear Markets	Food markets
Broadway-Hale	Department stores
Campbell Industries	Boat building/repair
Casa Blanca Convalescent Centers	Hospitals
Food Basket, Lucky Stores	Food markets
General Dynamics, Electronics Division	Aerospace
Home Federal Savings & Loan	Banks
K-Mart	Department stores
Kaiser-Permanente Medical Care	Medical clinics
La Costa Resort Hotel & Spa	Hotels
Land, Les Enterprises	Guard service
May Company	Department stores
Mercy Hospital	Hospital
Montgomery Ward & Co.	Department stores
J. C. Penney & Co.	Department stores
NCR Corporation	Office machines/computers
Ratner Corporation	Clothing manufacturer
San Diego Trust & Savings Bank	Banks
Scripps Clinic	Medical center
Sharp Memorial Hospital	Hospital
Sony Corporation	Communications equipment
Sun Harbor Industries	Food products
Teledyne Ryan Aeronautical	Aerospace
Union Tribune Publishing Co.	Newspaper
Van Camp Sea Food Co. (Ralston Purina)	Seafood packer
Vons Grocery Co.	Food markets
Walker Scott Co.	Department stores

Source: 1978 Business Directory, San Diego Chamber of Commerce.

The Cubic Corporation produces a variety of products at the main plant and four divisions in San Diego. Among its products are electronic systems, communications equipment, passenger elevators, micro-graphics systems, and revenue collection systems for mass transit. A computer service bureau is maintained. Total employment exceeds 3,000.

General Atomic Company (formerly Gulf Energy and Environmental Systems) is engaged in the design, development and marketing of nuclear power plants and petroleum instrumentation at its facilities at La Jolla and the Sorrento Valley, employing about 2,100 persons.

Teledyne Ryan Aeronautical, which built Lindbergh's "Spirit of St. Louis", traces its organization to 1922. The company produces airframes, subsonic and supersonic aerial jet targets, a Doppler navigation set, microwave sensors, electronic countermeasures, micro-electronic packaging, and spacecraft instrumentation. Teledyne Micronetics, also located in San Diego, makes radar devices and other equipment. Combined employment is approximately 2,000.

Sony Corporation of Japan occupies a 340,000-square foot plant on a 30-acre site at Rancho Bernardo for the assembly of color television sets and the production of picture tubes. Employment is more than 1,000. The plant was expanded and employment increased in 1978.

The major industrial group emerging in San Diego in recent years has been electronics, with the number of jobs up by 52 percent in the last five years. Electrical machinery, largest single sector of this group, averaged 14,600 jobs in 1978, an increase of 3,000 over the previous year. Recent growth of the electronics industry has been the result of expansion of existing facilities as well as the location of new companies in the San Diego area. Leading electronics and computer manufacturing firms are the Electronics Division of General Dynamics, NCR Corp., Cubic Corporation, Honeywell Information Systems, Cohu Inc., Sony Corporation, Datagraphix, Spectral Dynamics, Control Data, Burroughs Corporation, Conic Corporation, Hewlett-Packard, and Hughes Aircraft Co.

Large non-industrial employers in San Diego include the U.S. Navy, the University of California at San Diego, City of San Diego, San Diego State University, San Diego County, and the San Diego Unified School District.

Construction

Total building permit valuation for the City of San Diego in 1978 amounted to over \$721 million, about 25 percent greater than the 1977 permit valuation and more than double the annual average permit valuation for the 1974-76 period. Residential valuation accounted for over two-thirds of total valuation. The average permit for single-family houses in 1978 was valued at \$51,412, exclusive of land, while the average permit value for multiple units was \$29,220.

For the five years ending in 1978, the city issued building permits with a total value in excess of \$2.2 billion. Of this amount, residential valuation accounted for approximately 65 percent, new commercial 14 percent, new industrial 7 percent, and other non-residential about 14 percent. Residential permits included 16,783 single family units and 27,638 multi-family units over the five year period.

Building permit valuations in the city since 1974 are summarized in the tabulation on page 45.

In the January-August 1979 period, building permit valuation in San Diego totaled \$461,383,000, compared with \$539,475,000 for the same eight-month period of 1978. There were 7,038 new housing units included in the residential permits, a decline from 10,067 new housing units recorded during January-August 1978.

In the past decade more than \$300 million has been spent for new construction in the downtown area. The keystone project was the city's investment of \$27 million in the Community Concourse, located on a seven-acre site in the central core of the city. Included in this complex are a 13-story City Administration Building, an adjoining six-story Operations Building, the Civic Theater, a convention hall, an exhibit hall, and a 1,000-car public garage.

Among major edifices recently completed in the city is a \$42 million, 24-story federal office building and courthouse. This federal complex anchors an extensive redevelopment program near the existing business and government core of the city. There are four principal projects underway or planned in the downtown area, all under the guidance of the Centre City Development Corporation, formed in 1977.

The Horton Plaza project of 41.5 acres (15 city blocks) includes the historic San Diego Centre City. Now being developed on 12.5 acres by the Ernest

W. Hahn organization is a regional shopping center featuring Buffums, Mervyns, Robinson's and Montgomery Ward department stores as major tenants. Also planned for the area is a \$35 million, 20-story office building by Koll and Intereal, a joint venture of The Koll Company, a California firm, and Intereal, an insurance company based in Nashville, Tennessee. Atlas Hotels, Inc. has announced plans for a 430-room hotel in the project area. The Horton Plaza project is expected to be completed in the fall of 1982.

The Columbia project of 156 acres links the city's business core and the Embarcadero. A convention facility/hotel complex of 650,000 square feet is planned by the Redevelopment Agency, which is currently negotiating with Hyatt Hotels for a 1,000-room Hyatt Regency hotel capable of being expanded to 1,500 rooms. Holiday Inns also plans to build a 600-room hotel in the Columbia area.

South of the Columbia project is the 125-acre Marina project. The city's Redevelopment Agency will develop 74 acres for residential use. Over 2,000 dwelling units are planned in the first stage, including 400 condominiums of 900-1,300 square feet. It

is anticipated that residents of the Marina project will form a source of buying power for Horton Plaza. The remaining 51 Marina acres are owned by the San Diego Unified Port District, which is pursuing commercial development. The largest proposed construction project here is a recreational hotel of 1,100 rooms, situated on the water at the former Navy Field. Sea Port Village, a maritime complex featuring an early California theme, is now being developed on the Marina tidelands by three leading California developers, who are erecting Spanish-style buildings in keeping with the adopted theme. The opening is scheduled for January 1980.

East of the Marina Project is the Gaslamp Quarter, a 51-acre restoration project of the City Planning Department. This historic district has many unique buildings which will be restored in a turn-of-the-century tourist-oriented environment.

The foregoing discussion of the four principal projects which are underway or planned under the guidance of Centre City Development Corporation is based upon direct contacts with Corporation staff. There is no assurance that all of the planned projects will necessarily be constructed.

CITY OF SAN DIEGO

Building Permit Valuation

(\$000 omitted)

	1974	1975	1976	1977	1978	1979①
Value:						
Residential	\$108,049	\$155,321	\$338,237	\$395,089	\$487,223	\$325,864
New commercial	48,793	27,048	64,523	69,717	120,069	62,851
New industrial	34,397	19,331	19,622	30,788	54,786	24,049
Other non-residential	73,259	55,410	46,900	79,085	59,053	48,619
Total	\$264,498	\$257,110	\$469,282	\$574,679	\$721,131	\$461,383
Number of residential units:						
Single	1,610	2,520	3,877	4,590	4,186	3,033
Multiple	2,623	2,529	6,540	7,597	8,349	4,005
Total	4,233	5,049	10,417	12,187	12,535	7,038

① January through August.

Source: *California Construction Trends*, Security Pacific Bank.

Commerce

As the trade and service center of San Diego County, the city accounts for approximately 50 percent of total taxable transactions in the county. Supplementing the central business district are major shopping centers at Fashion Valley and Mission Valley, north of the city center, the suburban College Grove and Clairemont Square regional commercial centers, and University Towne Centre, La Jolla. Opened in October 1977 at a site about midway between Interstate 5 and Interstate 805, the Centre is a 900,000 square foot complex with over 125 retail and service establishments, including Broadway, Sears, and Robinson's department stores.

Taxable sales in the City of San Diego for 1978 totaled more than \$3.7 billion, an increase of nearly 14 percent over 1977. Over 69 percent of total taxable transactions were reported by retail outlets. Taxable sales in the first quarter of 1979 were 20.5 percent greater than the same quarter of the previous year. Taxable transactions by years since 1974 are summarized in the tabulation below.

Military Installations

San Diego is headquarters for the Eleventh Naval District, encompassing the states of California, Nevada, and Arizona. There are numerous Navy and Marine facilities in the San Diego area. Principal installations in the downtown area include the 11th Naval District Headquarters, Navy Supply Center, and the Engineering Facilities Command.

U.S. Naval Station San Diego is the largest operational station in the Navy.

Larger naval facilities around San Diego Bay are the Submarine Support Facility and Naval Electronics Laboratory Center (Point Loma); the Naval Training Center and Marine Corps Recruit Depot (North Bay); the Naval Air Station (North Island); the Naval Amphibious Base (Coronado Strand); the Naval Sea Support Center; Miramar Naval Air Station; Anti-Submarine Warfare Training Center; Combat Training Center Pacific; Electronic Systems Engineering Center; and the Facilities Engineering Command.

There are more than 100 ships attached to naval bases in San Diego, representing over one-fourth of the U.S. fleet. Active duty military personnel numbered 134,800 in 1978. Combined Navy and Marine Corps civilian personnel averaged 33,950 during the year, with more than 23,500 of the federal civil servants being employed by the Navy.

Total Navy and Marine Corps disbursements in San Diego County during 1978 amounted to nearly \$2.1 billion, second highest year on record. The military contribution to San Diego's economy each year makes it the second most important contributor to the local economy. The San Diego Chamber of Commerce reports that the city's manufacturing industries collectively generate the largest single annual source of payrolls, taxes, and local purchases.

Military expenditures for 1978 in the county are summarized in the tabulation at the top of the left-hand column on page 47.

CITY OF SAN DIEGO

Taxable Transactions (Thousands of Dollars)

Year	Retail Outlets		All Outlets	
	Permits	Transactions	Permits	Transactions
1974	5,838	\$1,540,328	13,350	\$2,159,690
1975	6,023	1,669,179	14,417	2,397,337
1976	6,302	1,919,237	15,925	2,697,408
1977	6,630	2,241,184	17,232	3,272,139
1978	7,043	2,588,124	18,761	3,725,441

Source: State Board of Equalization.

SAN DIEGO COUNTY

Military Disbursements 1978

(Thousands of Dollars)

Category	Disbursements	Percent Change 1977-78
Active Duty Military		
Payroll	\$ 948,334	24.1%
Civilian Employee Payroll .	499,615	15.4
Reserve Drill Pay	1,152	-78.5
Retired Military Payments	259,000	1.3
Vendor/Contract Payments	320,816	- 7.0
Military Construction	55,000	5.0
Total Expenditures ..	\$2,083,917	12.3%

Source: 11th Naval District.

Transportation

San Diego has one of the nation's most conveniently located commercial airports. International Airport (Lindbergh Field) is located approximately a mile west of the downtown area, at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. San Diego International is California's third most active commercial airport, with a main runway capable of handling the largest jetliners. A 22-acre parking ramp for commercial aircraft has been built. The airport is served by nine scheduled airlines, including Pacific Southwest Airlines (PSA), which is headquartered at the field.

A new \$14 million West Terminal was completed in mid-1979, approximately doubling terminal capacity. Both passenger traffic and air cargo shipments have increased substantially in recent years, with the number of passengers increasing 13.5 percent in 1978 over the previous year. Activity at San Diego International Airport during the past six years is reflected in the tabulation to the right.

San Diego is the terminus of the Santa Fe lines from Los Angeles and San Bernardino. AMTRAK passenger service is available at San Diego. The San Diego and Arizona Eastern Railway, formerly part of the Southern Pacific system, has been acquired by the Metropolitan Transit Development Board, a state agency. Freight service to the east has been contracted to Kyle Railways, Inc., a San Francisco-based firm. An electrified passenger

service extending from the city center south to Tijuana is now being developed, with operation scheduled for July 1981.

San Diego is the western terminus of Interstate 8, originating in Jacksonville, Florida. Interstate 5, the major north-south route through California, intersects I-8 in the downtown area and connects San Diego with other major West Coast cities. State Highway 163 and Interstate 15 join north of the city to provide an alternate route through Escondido to San Bernardino and Riverside. Interstate 805 is an express route from Del Mar to the Mexican border, passing west of Montgomery Field (the auxiliary city airport) and east of the city center. State Highway 94 provides east-west circulation through the southern part of the city.

Greyhound and Trailways schedule regional and interstate motor transportation. Local bus service throughout the Greater San Diego Area is provided by the San Diego Transit Corporation, a non-profit corporation formed by the city to acquire the facilities of the previous privately-owned company.

The San Diego Coronado Bay Bridge, opened in 1969, links the City of San Diego with the Coronado Peninsula.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado. In 1977 an \$18 million dredging program was carried out in the South Bay, enabling deeper-draft vessels to use the main shipping channel all the way to the Port's modern cargo-handling and warehousing facilities at the National City Marine Terminal. Annual tonnage over the piers in the Port of San Diego for selected years since 1950/51 is shown on page 48.

SAN DIEGO INTERNATIONAL AIRPORT

Fiscal Year	Passengers Number of	Air Freight (Tons)
1973	4,274,286	16,721
1974	4,410,972	15,709
1975	4,298,580	15,458
1976	4,912,368	16,371
1977	5,447,648	17,382
1978	6,185,583	19,291

Source: San Diego International Airport.

PORT OF SAN DIEGO

Annual Tonnage

Fiscal Year	Inbound	Outbound
1950/51	16,465	2,566
1960/61	124,490	166,750
1970/71	765,967	626,878
1974/75	897,728	981,418
1975/76	1,055,390	641,612
1976/77	1,266,045	514,174
1977/78	1,305,043	671,772

Source: San Diego Unified Port District.

Research and Development

Research and development activity plays an important role in the San Diego economy. Construction of a major campus of the University of California at San Diego (UCSD) in 1964 gave significant impetus to this development.

San Diego County is a leading health sciences and biomedical center. Approximately 35,000 persons are engaged in life sciences-related activities in the metropolitan area, with over 28,000 employed directly in health services. In addition to UCSD, other established research institutions in the La Jolla area include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and Scripps Institution of Oceanography.

The Salk Institute for Biological Studies was established at San Diego in 1963 by Dr. Jonas E. Salk for pure and applied research in the life sciences, uniting biological studies in such fields as the nature of living organisms with research in practical medicine.

The Scripps Clinic and Research Foundation is a center of basic and clinical medical research, as well as medical training and treatment. A non-profit organization founded in 1924, the foundation is located on a 12-acre site near the UCSD medical school. Nearly 1,500 professional and technical employees staff 40 laboratories. A new 158-bed hospital was opened in 1977. Facilities include a research center, intensive and coronary care units and a surgical suite.

A Veterans Administration Hospital, located adjacent to UCSD's School of Medicine, represents a major contribution to biomedical research in the area. It was built at a cost of \$35 million in 1972.

The Scripps Institution of Oceanography has been a unit of the University of California since 1912. The Institution occupies nine buildings on a 159-acre site in the La Jolla section of San Diego, where it is engaged in postgraduate education as well as research. The Institution is the world's leading center of marine biological research. Among its extensive facilities is the largest oceanographic fleet in the nation. Scripps Aquarium is open to the public.

The Naval Electronics Laboratory at Point Loma is an outgrowth of the radio station established by the Navy at San Diego in 1905. A research and engineering staff of 900 (of 1,500 total employees) is engaged in command control and communications concepts and systems, computers and machine languages, electro-optics, electromagnetics, microelectronics and systems analysis.

The Naval Ocean Systems Center (1,650 full-time permanent civilian and 275 military personnel) does research and development work in ocean engineering, biosystems research, and related technologies.

Lockheed Ocean Laboratory, a unit of Lockheed Missiles and Space Company of Sunnyvale, California, is located at the entrance to Harbor Island. It is a major contractor with the Navy Deep Submergence Systems Project for the design, construction and testing of a Deep Submergence Rescue Vehicle (DSRV). Facilities include the submarine Deep Quest, the support ship Transquest, and research ship Sea Quest.

General Atomic Co. ranks as the world's largest privately-owned center for diversified nuclear development. Its laboratories, situated on a 350-acre site near the UCSD campus, contain approximately half a million square feet. The firm has been selected by the Department of Energy as project manager of a major fusion reactor research facility to be built in the 1980s. A smaller San Diego company—Ramco Incorporated—has received a multimillion dollar contract to study gas-cooled nuclear reactor technology for the Department of Energy.

Visitor and Convention Business

Visitor revenues in San Diego County reached \$923.9 million in 1978, according to an estimate by the San Diego Convention and Visitors Bureau, exceeding 1977 revenues by 9.3 percent. In 1978 San Diego hosted 1,130 conventions, attended by over 551,000 delegates, who spent in excess of \$198 million. A tabulation of convention business since 1973 is presented on page 49.

SAN DIEGO CONVENTIONS

	Number of Conventions	Number of Delegates	Estimated Spending
1973	631	355,000	\$ 56,846,880
1974	771	443,310	79,795,800
1975	821	468,002	102,960,440
1976	889	485,563	135,954,840
1977	990	540,285	183,696,900
1978	1,130	551,470	198,500,000

Source: San Diego Convention and Visitors Bureau.

An excellent climate, proximity to Mexico, extensive Navy facilities, Coronado, and such attractions as the San Diego Zoo, Sea World, San Diego Wild Animal Park, and Cabrillo National Monument are prime tourist attractions. Contributing to the growth of visitor business has been the development of 4,600-acre Mission Bay Park and the construction of meeting and convention facilities at the San Diego Community Concourse.

The famous San Diego Zoo has more than 5,000 animals of 1,575 species, comprising one of the world's largest wild animal exhibits. A Skyfari cable lift carries visitors across the top of the 100-acre Zoo. Sea lions perform daily in a 3,000-seat amphitheater. Over 3.2 million people visited the Zoo last year. Among other attractions in 1,400-acre Balboa Park are Children's Zoo, the unique Old Globe Theatre, Fine Arts Gallery, Museum of Man, Natural History Museum, Spanish Village Art Center, Balboa Bowl, Balboa Stadium, a \$3 million Planetarium and Scientific Exhibit Hall, and two golf courses.

Sea World, opened in 1964 at Mission Bay Park, encompasses 70 acres of bay waters and land area. An estimated 2.6 million visitors were reported in 1978. Harcourt Brace Jovanovich, the publishing firm has bought controlling interest in Sea World and plans to invest \$10 million in an expansion program over an 18-month program. The firm has also established Sea World Press, a publishing subsidiary, at a downtown location.

Cabrillo National Monument commemorates Cabrillo's sighting of Point Loma in 1542. It is located at the most southwesterly point in the United States. This Point Loma attraction hosted 1,338,200 people last year.

The 1,800-acre San Diego Wild Animal Park is operated under the sponsorship of the San Diego

Zoo. Located about three miles east of Escondido, it features an African-style village and a five-mile safari aboard a monorail, which enables visitors to view the animals in natural surroundings. Over one million people visited the Park in 1978.

Education

As noted previously, the San Diego Unified School District serves most of the City of San Diego. Portions of the city are within two other unified school districts, four high school districts, and 14 elementary school districts.

Community colleges in California are locally operated and administered two-year institutions beyond high school. They offer the Associate in Arts and Associate in Science certificates and have extensive vocational curricula. With the required credits, a student may transfer to a four-year institution in the junior year.

There are five community college districts in Metropolitan San Diego. In 1978/79 these districts reported a combined enrollment of more than 85,000 students at nine campuses.

The San Diego Community Colleges District operates four campuses in San Diego: San Diego City College (enrollment 5,207), San Diego Evening College (23,281), San Diego Mesa College (9,101), and San Diego Miramar College (1,316). The San Diego Adult College enrolled 22,252 in the fall of 1978.

Other community colleges in the county are Grossmont College in El Cajon (14,054), Palomar College at San Marcos (13,714), Southwestern College in Chula Vista (10,590), and Mira Costa College in Oceanside (6,485). Cuyamaca College, a unit of the Grossmont Community College District, is still under construction at El Cajon. A beginning class of 1,947 enrolled in the 1978/79 academic year.

Among the four-year institutions of higher education in Metropolitan San Diego are the University of California at San Diego (9,838 students), San Diego State University (30,311), University of San Diego (3,772), United States International University (2,961), Point Loma College (1,770), National University (3,375), and Western State University College of Law (1,093).

The University of California at San Diego offers graduate and undergraduate instruction at four colleges—Revelle College, John Muir College, Third

College, and Fourth College. The campus serves as headquarters for the University's Institute of Marine Resources and includes the long-established and celebrated Scripps Institution of Oceanography. There is a School of Medical and Health Sciences, which enrolls 956 in addition to the enrollment total shown above.

San Diego State University offers the bachelor's degree in 64 fields, and the master's degree in 50. There are doctorate programs in chemistry, genetics and ecology at this campus. The University also operates an Off Campus Center at Calexico, in Imperial County. This campus enrolled 423 students in the fall of 1978.

The University of San Diego (Catholic) offers the Master's degree in ten fields and awards the Juris Doctor degree at its School of Law. United States International University, also a private institution, operates a school of the visual and performing arts.

Community Facilities

There are over 5,300 hospital beds in the City of San Diego. Largest general hospitals are Mercy Hospital and Medical Center (511 beds), University Hospital, University of California Medical Center (491 beds), the Donald C. Sharp Memorial Community Hospital (401 beds), and Scripps Memorial Hospital (394 beds). The Veterans Administration Hospital at La Jolla has 801 beds and the Naval Regional Medical Center in Balboa Park has 689 beds.

The San Diego Union and San Diego Evening Tribune are published daily. The Los Angeles Times is available daily in the community.

The City of San Diego operates a Central Library in the downtown area and 25 branches throughout the city.

Commercial banking services in the City of San Diego are provided by the following banks: Bank of America NT&SA (30 offices, including 5 at military installations), Bank of California, Bank of Commerce (2), Bank of San Diego, Barclays Bank of California, California Canadian Bank (3), California First Bank (21), California Heritage Bank, The Chartered Bank of London, Citizens Western Bank, Crocker National Bank (4), First National Bank of San Diego County (2), Heritage Bank, Imperial Bank, Japan California Bank, La Jolla Bank (2), Lloyds Bank California, Mexican-American National Bank, Pacific Coast Bank, Peninsula Bank of

San Diego, San Diego Trust and Savings Bank (12), Security Pacific National Bank (18), The Sumitomo Bank of California, Union Bank, United California Bank (5), Wells Fargo Bank (6), Westlands Bank, and The Women's Bank.

Twenty savings and loan associations maintain offices in the city. San Diego-based Imperial Corporation of America is a \$5.74 billion holding company which owns four savings and loan associations operating 173 offices in California, Texas, Kansas, and Colorado. Also headquartered in San Diego is Home Federal Savings and Loan Association of San Diego. Ranking ninth nationally in savings, this firm operates 67 offices and has assets of more than \$3.34 billion.

Utilities

The San Diego Gas and Electric Company provides electric power and natural gas in the City of San Diego and other communities in the county. Telephone service is provided by Pacific Telephone Company, which established the San Diego division as a separate operating division to meet increasing demands for service.

Water service is supplied by the City of San Diego. An adequate supplemental water supply is available from the Metropolitan Water District of Southern California via the San Diego County Water Authority. The Metropolitan Sewerage System of the City of San Diego furnishes sewerage service in the city and surrounding developed areas.

Recreation

The San Diego area's mild, year-round climate and many attractions and recreation features have drawn millions of visitors annually from throughout the nation. The City of San Diego has responded to this with the building of the Downtown Community Concourse, with its Convention and Performing Arts Center, the downtown Sports Arena, and the San Diego Stadium, located at the intersection of two interstate freeways. The city's Park and Recreation Department offers a comprehensive program of activities for all ages.

Balboa Park covers 1,400 acres in the center of the city and includes museums, art galleries, theatres and recreation areas, in addition to miles of garden walks. Covering 128 acres within the park is the San Diego Zoo, famous for its innovative methods of displaying animals. The San Diego Planetarium

Authority has constructed a Planetarium and Hall of Science on a three-acre site in Balboa Park.

Mission Bay Park is a 4,600-acre public and private development including hotels and motels, marinas, restaurants and Seal World, which offers performances by whales, porpoises and a variety of sea animals, as well as Japanese pearl divers and hydrofoil rides on Mission Bay. The city's Aquatic Division operates launching and berthing facilities for pleasure boats in Mission Bay.

There are over 70 golf courses in San Diego County, including the championship Torrey Pines and La Costa courses, scene of the San Diego Open and Tournament of Champions, respectively.

A major attraction is the proximity to Mexico, where the visitor can attend greyhound and thoroughbred racing, jai alai, and bullfights. Beaches, mountains, and desert areas of the county are within convenient driving distance for residents of the District.

METROPOLITAN SAN DIEGO

Metropolitan San Diego (San Diego County), an important industrial, military, research and oceanographic center, is among the most rapidly growing areas of the United States. The Metropolitan Area extends 70 miles along the Pacific Coast from the Mexican border to Orange County. It is bounded on the northeast by Riverside County and extends inland 75 miles to Imperial County. Encompassing 4,255 square miles, the county is approximately the size of the State of Connecticut. The San Diego area is one of the oldest settled sections of the United States. The Bay of San Diego was discovered in 1542 by the Spanish explorer Cabrillo, and in 1769 Father Junipero Serra founded the Mission San Diego de Alcala, the first in the chain of 21 California missions.

Topography of the county varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies

much of the interior portion of the county. The climate is equable in the coastal and valley regions where most of the population and resources are located. Maximum daily temperatures along the coast average 70.8° and mean temperatures vary only 14° between the warmest and coldest months. Average annual rainfall in the coastal areas is approximately ten inches.

The county was incorporated February 18, 1850 and functions as a chartered county. It is governed by a five-member Board of Supervisors elected to four-year terms by district non-partisan elections. The Board appoints the Chief Administrative Officer. San Diego is the county seat.

In addition to San Diego, other principal cities are Chula Vista (population 81,400), Oceanside (72,400), El Cajon (71,100), Escondido (60,000), La Mesa (50,100), National City (48,100), Vista (33,350), and Carlsbad (32,100).

Growth is evident in the summary of economic indicators in the tabulation shown below. Population, employment, and electric power consumption have registered significant gains. Taxable sales, building permit valuation, and value of manufactures, although subject to inflationary bias, also show strong increases.

Agriculture

San Diego County ranks among the top agricultural counties of California, leading the state in the production of avocados, tomatoes, and flowers.

METROPOLITAN SAN DIEGO

Summary of Selected Economic Indicators (in thousands)

Indicator	1974	1975	1976	1977	1978
Population (July 1)	1,519	1,594	1,624	1,681	1,738
Building Permit Valuation	\$ 705,257	\$ 677,476	\$1,278,578	\$1,635,054	\$1,656,335
Taxable Sales	\$4,296,856	\$4,740,460	\$5,395,786	\$6,619,403	\$7,564,532
Value of Manufactured Products ...	\$2,446,000	\$2,940,800	\$3,178,000	\$3,998,000	\$4,802,000
Wage and Salary Employment①	469	478	500	543	597
Electric Consumption (Kwh)	7,347,300	7,801,589	8,060,737	8,280,461	8,850,157
Telephones in Service	1,156	1,216	1,272	1,361	1,451

① Non agricultural employment.

Source: Economic Research Bureau, San Diego Chamber of Commerce, and various state agencies (population, taxable sales).

Cultivated acreage in production in 1978 increased by more than 10,000 acres. Due to early rains and high winds later in the season, the gross value of farm production decreased approximately three percent from the 1977 output, to a level of \$324,300,000. There were 18 commodities in the million-dollar class last year.

Annual summaries of agricultural production in the county for the past five years are presented in the tabulation below. Fruits and nuts, nursery products and vegetables experienced the strongest growth rates during this period. Also shown are dollar values of the most important commodities in 1978.

SAN DIEGO COUNTY

Most Important Commodities 1978

Commodity	Gross Value
Nursery Products	\$66,712,000
Tomatoes	54,867,000
Eggs	52,670,000
Avocados	44,084,000
Milk	28,560,000
Valencia Oranges	20,106,000

Source: County Department of Agriculture, Weights, and Measures.

SAN DIEGO COUNTY

Gross Value of Agricultural Production

Commodity	1974	1975	1976	1977	1978
Field crops	\$ 2,727,350	\$ 3,702,000	\$ 4,709,800	\$ 4,170,000	\$ 3,361,000
Fruits and nuts	54,033,610	75,656,510	84,074,200	90,317,680	88,000,000
Vegetables	60,339,000	67,893,000	73,751,200	83,238,000	74,011,000
Nursery products	40,135,000	62,376,000	68,747,000	72,018,000	66,712,000
Livestock and poultry	9,686,000	10,953,000	10,840,000	8,817,000	10,191,000
Animal products	72,640,000	72,105,000	80,324,000	76,430,000	81,615,000
Apiary	300,000	836,000	395,000	44,000	438,000
Total	\$239,860,960	\$293,521,810	\$322,841,200	\$335,034,680	\$324,300,000

Source: County Department of Agriculture, Weights, and Measures.

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SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Financial Statements

June 30, 1979 and 1978

(With Accountants' Report Thereon)



Peat, Marwick, Mitchell & Co.

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PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

1400 CENTRAL FEDERAL TOWER

225 BROADWAY

SAN DIEGO, CALIFORNIA 92101

Board of Directors
San Diego Unified School District
Public School Building Corporation:

We have examined the balance sheets of San Diego Unified School District Public School Building Corporation as of June 30, 1979 and 1978, and the related statements of operations and accumulated deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of San Diego Unified School District Public School Building Corporation at June 30, 1979 and 1978 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

August 24, 1979

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Balance Sheets

June 30, 1979 and 1978

<u>Assets</u>	<u>1979</u>	<u>1978</u>
Current assets:		
Cash with fiscal agent	\$ 1,382	-
Time certificates of deposit	-	17,470
Investments (note 3)	17,704	-
Current portion of contracts receivable	1,640,655	738,751
Accrued interest receivable	<u>-</u>	<u>300</u>
Total current assets	<u>1,659,741</u>	<u>756,521</u>
Restricted assets:		
Revenue bond debt service:		
Cash with fiscal agent	631,669	86,885
Time certificates of deposit	6,069	1,531,632
Investments (note 3)	4,214,294	4,290,016
Accrued interest receivable	<u>62,000</u>	<u>79,000</u>
	<u>4,914,032</u>	<u>5,987,533</u>
Revenue bond reserve:		
Cash with fiscal agent	184,058	97,611
Time certificates of deposit	3,517	3,517
Investments (note 3)	9,164,453	9,111,514
Accrued interest receivable	<u>208,000</u>	<u>200,000</u>
	<u>9,560,028</u>	<u>9,412,642</u>
Revenue bond construction:		
Cash with fiscal agent	228,251	3,425,154
Time certificates of deposit	359,000	2,830,738
Investments (note 3)	5,155,900	4,116,353
Accrued interest receivable	279,000	281,500
Construction in progress	<u>1,384,728</u>	<u>958,459</u>
	<u>7,406,879</u>	<u>11,612,204</u>
Refunding bonds (note 7):		
Cash	62,210	26,204
Investments (note 7)	28,300,000	28,300,000
Accrued interest receivable	<u>765,798</u>	<u>765,798</u>
	<u>29,128,008</u>	<u>29,092,002</u>
Total restricted assets	<u>51,008,947</u>	<u>56,860,902</u>
Contracts receivable, excluding current portion (note 4)	62,720,319	60,491,233
Unamortized bond discount	367,061	405,356
Unamortized bond issue costs	<u>446,585</u>	<u>490,075</u>
	<u>\$ 116,202,653</u>	<u>118,247,566</u>

See accompanying notes to financial statements.

<u>Liabilities and Accumulated Deficit</u>	<u>1979</u>	<u>1978</u>
Current liabilities (payable from restricted assets):		
Construction contracts payable	\$ 317,301	1,055,199
Construction retentions payable	157,496	395,016
Current portion of revenue bonds payable	1,650,000	1,500,000
Accrued interest payable	<u>4,009,389</u>	<u>4,244,450</u>
Total current liabilities	6,134,186	7,194,665
Revenue bonds payable, excluding current portion (note 5)	85,660,000	87,310,000
Refunding bonds payable (note 7)	<u>28,300,000</u>	<u>28,300,000</u>
Total liabilities	120,094,186	122,804,665
Accumulated deficit (note 4)	(3,891,533)	(4,557,099)

Commitments and contingent liability
(notes 5 and 7).

\$ <u>116,202,653</u>	<u>118,247,566</u>
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SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Statements of Operations and Changes in Accumulated Deficit

Years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Income:		
Lease income	\$ 6,219,865	4,670,388
Interest income from investments	<u>2,811,575</u>	<u>3,123,785</u>
Total income	<u>9,031,440</u>	<u>7,794,173</u>
Expenses:		
Interest expense	7,667,798	7,557,478
Amortization of bond issue costs	43,490	43,052
Trustee's fees	12,170	11,881
Financing consultant's fees	-	10,000
Audit fees	3,500	3,550
Other	<u>-</u>	<u>23</u>
Total expenses	<u>7,726,958</u>	<u>7,625,984</u>
Net income	1,304,482	168,189
Accumulated deficit, beginning of period	(4,557,099)	(4,486,016)
Funds returned to District (note 8)	<u>(638,916)</u>	<u>(239,272)</u>
Accumulated deficit, end of period (note 4)	\$ <u>(3,891,533)</u>	<u>(4,557,099)</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Statements of Changes in Financial Position

Years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Funds provided:		
Net income	\$ 1,304,482	168,189
Items not requiring funds in the current period:		
Amortization of bond discount	38,295	39,385
Amortization of bond issue costs	43,490	43,052
Proceeds from sale of refunding bonds	-	28,300,000
Proceeds from sale of revenue bonds	-	17,110,000
Decrease in revenue bond debt service assets	1,073,501	-
Decrease in revenue bond construction assets	4,205,325	8,408,377
Decrease in bond discount	-	8,922
Decrease in current assets	-	1,548,491
Increase in current liabilities (payable from restricted assets)	<u>-</u>	<u>3,100,275</u>
	\$ <u>6,665,093</u>	<u>58,726,691</u>
Uses of working capital:		
Increase in refunding bond assets	36,006	29,092,002
Increase in revenue bond debt service assets	-	1,039,237
Increase in revenue bond reserve assets	147,386	492,460
Increase in contracts receivable, less current portion	2,229,086	8,981,248
Decrease in current liabilities (payable from restricted assets)	1,060,479	-
Revenue bond proceeds recorded as:		
Increase in revenue bond debt service assets	-	1,640,621
Increase in revenue bond reserve assets	-	1,441,620
Increase in revenue bond construction assets	-	14,027,960
Bond issue costs	-	272,271
Current installments and repayments of revenue bonds payable	1,650,000	1,500,000
Funds returned to District	638,916	239,272
Increase in current assets	<u>903,220</u>	<u>-</u>
	\$ <u>6,665,093</u>	<u>58,726,691</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements

June 30, 1979 and 1978

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting:

The San Diego Unified School District Public School Building Corporation (Corporation) operates and reports as an enterprise utilizing the accrual method of accounting.

(b) Investments:

Investments are stated at cost and adjusted for amortization of discount or premium.

(c) Lease Accounting:

The facility leases are accounted for under the financing method. Accordingly, the Corporation has recorded contracts receivable from the San Diego Unified School District (District). See note 4.

(d) Bond Discount, Premium and Issue Costs:

Bond discount, premium and issue costs are deferred and amortized on the interest method over the life of the bonds.

(2) Organization

The Corporation was incorporated December 23, 1974, under the General Nonprofit Corporation Law of the State of California and as such is not subject to Federal or State income taxes. Its purpose is to provide financing for the acquisition and construction of public school buildings which are leased to the San Diego Unified School District (District). Upon dissolution of the Corporation, after the payment of all liabilities, all remaining assets of the Corporation will be paid or distributed to the District. See notes 4 and 5.

(3) Investments

A summary of all investments except for the refunding bond investments referred to in note 7 follows:

	<u>1979</u>		<u>1978</u>	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
Current assets - United States Treasury bonds	\$ <u>17,704</u>	<u>17,820</u>	<u>-</u>	<u>-</u>
Revenue bond debt service:				
United States treasury bonds	-	-	890,016	884,391
Other United States Government obligations	824,294	829,486	-	-
Held by bank under repurchase agreement	<u>3,390,000</u>	<u>3,390,000</u>	<u>3,400,000</u>	<u>3,400,000</u>
	\$ <u>4,214,294</u>	<u>4,219,486</u>	<u>4,290,016</u>	<u>4,284,391</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(3) Investments, Continued

	1979		1978	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
Revenue bond reserve:				
United States Treasury bills \$	-	-	215,343	219,761
United States Treasury bonds	205,706	202,054	137,944	132,687
Federal National Mortgage Association debentures	7,279,569	7,130,092	7,213,344	7,069,350
Other United States Government obligations	<u>1,679,178</u>	<u>1,575,448</u>	<u>1,544,883</u>	<u>1,440,777</u>
	\$ <u>9,164,453</u>	<u>8,907,594</u>	<u>9,111,514</u>	<u>8,862,575</u>
Revenue bond construction:				
United States Treasury bills	227,221	227,766	3,483,875	3,594,753
United States Treasury bonds	-	-	632,478	631,647
Other United States Government obligations	<u>4,928,679</u>	<u>4,960,796</u>	<u>-</u>	<u>-</u>
	\$ <u>5,155,900</u>	<u>5,188,562</u>	<u>4,116,353</u>	<u>4,226,400</u>

All of the above investments at June 30, 1979 mature within one year, except \$205,706 of United States Treasury bonds which mature in two to eight years, \$3,692,281 of Federal National Mortgage Association debentures, which mature in two to six years, and \$1,544,883 of other United States Government obligations which mature in four to eight years.

(4) Facility Leases and Contracts Receivable

The Corporation has leased the sites for the new public school buildings from the District for an annual rental payment of \$3. These site leases terminate December 1, 2000, 1995, and 2000 for projects constructed under Series A, B and C bonds, respectively.

Under the terms of three related facility leases, the Corporation leases the sites together with the public school buildings constructed by the Corporation to the District. The facility leases terminate November 30, 2000, 1995 and 2000 for Series A, B and C bonds, respectively, or when the bonds have been fully paid. These leases provide that the lease payments will be made on a semi-annual basis on December 15 and June 15 of each year beginning December 15, 1976, 1977 and 1979 for Series A, B and C, respectively. Semi-annual rental will be \$1,669,640 for facilities constructed under Series A bonds, \$1,809,668 under Series B bonds, and \$693,259 under Series C bonds.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(4) Facility Leases and Contracts Receivable, Continued

The terms of these facility leases provide for full recovery by the Corporation of its costs of the public school buildings, together with interest and expenses. Income from the facility leases is recognized under the financing method. Aggregate income from this type of lease is total rentals, less cost of the buildings; this income is recorded in decreasing amounts which results in an approximate level rate of return on the unrecovered investment. The income from the facility leases is being recognized over the life of the leases starting with the first rental payment received in December 1976. The revenue bond interest payable during construction is recorded as an expense.

The Corporation has recorded contracts receivable which at June 30, 1979 are summarized as follows:

Aggregate scheduled rental payments	\$ 157,151,134
Less unearned income	<u>92,790,160</u>
Contracts receivable at June 30, 1979	64,360,974
Less current portion	<u>1,640,655</u>
Contracts receivable excluding current portion	\$ <u>62,720,319</u>

(5) Revenue Bonds Payable

As of June 30, 1979 the Corporation has issued three series of revenue bonds in the aggregate principal amount of \$89,360,000.

Series A bonds in the principal amount of \$37,250,000 are dated July 1, 1975 and were issued in denominations of \$5,000, with interest rates from 6.2% to 8%. Interest is payable semi-annually on January 1 and July 1. The bonds consist of \$8,250,000 serial bonds due 1977 through 1986 and \$29,000,000 term bonds maturing in 2000. The Series A bonds mature on July 1 in years shown below:

Maturity date <u>July 1</u>	Principal amount	Interest rate	Maturity date <u>July 1</u>	Principal amount	Interest rate
1979	\$ 650,000	8.00%	1983	\$ 900,000	8.00%
1980	700,000	8.00	1984	1,000,000	8.00
1981	800,000	8.00	1985	1,050,000	7.75
1982	850,000	8.00	1986	1,150,000	6.20
			2000	29,000,000	7.20

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(5) Revenue Bonds Payable, Continued

Series B bonds were issued in the principal amount of \$35,000,000 dated October 1, 1975 with interest rates from 7% to 8%. Interest is payable semi-annually on January 1 and July 1. The issue consists of \$15,300,000 serial bonds due 1978 through 1988 and \$19,700,000 term bonds maturing in 1995. The Series B bonds mature on July 1 in years shown below:

<u>Maturity date July 1</u>	<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity date July 1</u>	<u>Principal amount</u>	<u>Interest rate</u>
1979	\$ 1,000,000	8.00%	1984	\$ 1,450,000	8.00%
1980	1,050,000	8.00	1985	1,600,000	7.30
1981	1,150,000	8.00	1986	1,700,000	7.00
1982	1,250,000	8.00	1987	1,850,000	7.10
1983	1,350,000	8.00	1988	2,000,000	7.20
			1995	19,700,000	7.50

On September 14, 1977 the Corporation issued Series C revenue bonds payable in the principal amount of \$17,110,000 dated September 1, 1977 with interest rates from 4-1/2% to 6-1/2%. Interest is payable semi-annually on January 1 and July 1. The issue consists of \$10,810,000 serial bonds due 1980 through 1995 and \$6,300,000 term bonds maturing in 2000. The Series C bonds mature on July 1 in years shown below:

<u>Maturity date July 1</u>	<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity date July 1</u>	<u>Principal amount</u>	<u>Interest rate</u>
1980	\$ 400,000	6.50%	1989	\$ 710,000	4.70%
1981	430,000	6.50	1990	760,000	4.80
1982	460,000	6.50	1991	810,000	4.90
1983	490,000	6.50	1992	860,000	5.00
1984	520,000	6.50	1993	920,000	5.10
1985	550,000	4.75	1994	970,000	5.20
1986	590,000	4.50	1995	1,040,000	5.30
1987	630,000	4.50	2000	6,300,000	5.50
1988	670,000	4.60			

Except in the event of destruction or condemnation of the buildings, bonds maturing on or before July 1, 1986, 1987 and 1988 are not subject to call or redemption prior to their fixed maturity dates, for Series A, B and C, respectively. Bonds maturing on or after July 1, 2000, 1995 and 1988 are subject to call and redemption, at the option of the Corporation, as a whole or in part, by lot from any source of available funds, on January 1, 1987 and 1989, for Series A and B, respectively and on July 1, 1987 for Series C, or on any interest payment date thereafter. The bonds are redeemable at par plus accrued interest and a premium equal to one-fourth of one percent for each year or fraction of a year from the redemption date to the maturity date not to exceed 3-1/2%.

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(5) Revenue Bonds Payable, Continued

Bond principal and interest coming due each year is payable from semi-annual lease payments by the San Diego Unified School District for use of the facilities. Revenue to meet the lease obligations of the District is derived from a voter approved maximum annual tax rate increase of \$0.383 per \$100 assessed valuation over the period 1975/76 to 2002/03 for the purpose of purchasing school sites not then owned by the District, preparing plans and specifications, and leasing the fully furnished facilities.

The Corporation issued certain 1977 refunding bonds on July 12, 1977 for the purpose of refunding a portion of the 1975 Series A bonds. These refunding bonds are described in note 7.

(6) Trustee

Under the terms of the Indenture Agreement, the trustee receives and disburses all bond proceeds and income of the Corporation. The trustee also acts as paying agent and as bond registrar for the Corporation.

The Indenture Agreement also provides for the establishment of special accounts, all to be held and administered by the trustee. Proceeds from the sale of the bonds were deposited with the trustee and recorded in the special accounts as set forth in the accompanying financial statement.

(7) Commitments and Contingent Liability

On July 12, 1977 the Corporation issued the 1977 Refunding Bonds, Series A in the principal amount of \$28,300,000 dated July 1, 1977 with interest rates from 5% to 6-1/2%. Interest is payable semi-annually on January 1 and July 1. The issue consists of \$28,300,000 serial bonds due 1987 through 2000. The Refunding Bonds, Series A mature in years as shown below:

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(7) Commitments and Contingent Liability, Continued

<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>
7/1/87	\$ 705,000	6.50%	1/1/94	\$ 1,090,000	5.25%
1/1/88	730,000	6.50	7/1/94	1,125,000	5.25
7/1/88	755,000	6.50	1/1/95	1,165,000	5.30
1/1/89	780,000	5.20	7/1/95	1,205,000	5.30
7/1/89	805,000	5.00	1/1/96	1,245,000	5.30
1/1/90	835,000	5.00	7/1/96	1,285,000	5.30
7/1/90	860,000	5.00	1/1/97	1,330,000	5.40
1/1/91	890,000	5.00	7/1/97	1,375,000	5.40
7/1/91	920,000	5.00	1/1/98	1,425,000	5.40
1/1/92	950,000	5.10	7/1/98	1,470,000	5.40
7/1/92	985,000	5.10	1/1/99	1,520,000	5.40
1/1/93	1,020,000	5.20	7/1/99	1,575,000	5.40
7/1/93	1,055,000	5.20	1/1/2000	1,200,000	5.40

The Refunding Bonds, Series A were issued for the purpose of refunding \$28,300,000 of the principal amount of 1975 Series A bonds maturing on July 1, 2000 and subject to call and redemption on and after January 1, 1987. The proceeds of the refunding bonds have been placed in an escrow fund with the trustee. The trustee has invested the proceeds in Federal securities maturing in 1987 and will pay interest due on the refunding bonds from interest earned on the investment. To facilitate this refunding, \$100,000 (additional principal) and \$994,000 (redemption premium due on January 1, 1987) will be provided from the 1975 Series A reserve fund. An additional \$600,000 principal amount of 1975 Series A bonds maturing by their terms on July 1, 2000 are redeemable on January 1, 1987 from funds provided for by the 1975 indenture. The refunding is summarized as follows:

1975 Series A bonds maturing on or after July 1, 1987	\$ 29,000,000
Estimated call premium	<u>994,000</u>
	\$ <u>29,994,000</u>
Proceeds from refunding bonds, Series A	28,300,000
Amounts to be provided by the trustee pursuant to the escrow agreement	1,094,000
Funds from Series A sinking fund account provided for in the 1975 indenture	<u>600,000</u>
	\$ <u>29,994,000</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
PUBLIC SCHOOL BUILDING CORPORATION

Notes to Financial Statements, Continued

(7) Commitments and Contingent Liability, Continued

After all 1975 Series A bonds have been redeemed, the Corporation has the right to redeem the refunding bonds at the principal amount plus accrued interest to the date fixed for redemption without premium, from proceeds of insurance or eminent domain proceedings.

The refunding bonds are also subject to redemption prior to their respective stated maturities, at the option of the Corporation, in inverse order of maturities if less than all of the refunding bonds of such maturity are redeemed. Such redemption may be from any source of available funds, on any interest payment date on or after July 1, 1987, at the principal amount and accrued interest to the date fixed for redemption, plus a premium of one-fourth of one percent for each year or fraction of a year from the redemption date to the maturity date.

The First Amendment to the site lease and facility lease entered into under 1975 Series A bonds (note 4), dated July 1, 1977, shall take effect only upon the retirement of the 1975 Series A bonds and provides that upon such date all references to the 1975 Series A bonds therein shall be to the 1977 Refunding Bonds, Series A. The present annual base rental obligation of the District under the Series A facility lease is \$3,339,280. If a reduced lease rental will be sufficient to pay the 1977 refunding bonds, the base rental, which will commence from and after the date that no 1975 Series A bonds are outstanding, may be reduced.

(8) Funds Returned to the District

Under the terms of the Indenture Agreement, funds in the revenue bond reserve in excess of the maximum annual debt service on the bonds shall be paid to the District. The Corporation returned \$638,916 and \$239,292 of such excess funds to the District during the years ended June 30, 1979 and 1978, respectively. In addition, \$278,998 was returned to the District on July 6, 1979.

**ARTICLE XIII A OF THE
CALIFORNIA CONSTITUTION**

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax is to be collected by the counties and apportioned according to laws to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the county assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 full cash value may be reassessed to reflect that valuation. For purposes of this section, the term "newly constructed" shall not include real property which is reconstructed after a disaster, as declared by the Governor, where the fair market value or such real property, as reconstructed, is comparable to its fair market value prior to the disaster.

(b) The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown

in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by no less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.

**ARTICLE XIII B OF THE
CALIFORNIA CONSTITUTION**

Sec. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

Sec. 2. Revenues received by an entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rate or fee schedules within the next two subsequent fiscal years.

Sec. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

Sec. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity

with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

Sec. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

Sec. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

(a) Legislative mandates requested by the local agency affected;

(b) Legislation defining a new crime or changing an existing definition of a crime; or

(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Sec. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

Sec. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, un-

employment insurance and disability insurance funds;

(b) "Appropriations subject to limitation" of an entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions;

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government, provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year.

(f) "Population" of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote

of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978-79, state subventions to local government, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sec. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriation of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

Sec. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

Sec. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.

Proposed Form of Legal Opinion of
Orrick, Herrington, Rowley & Sutcliffe
San Francisco, California

San Diego Unified School District
Public School Building Corporation
San Diego County, California

San Diego Unified School District Public School
Building Corporation Bonds of Series D
(Final Opinion)

Dear Sirs:

We hereby certify that we have examined the record of proceedings submitted to us relative to the issuance of \$7,400,000 principal amount of bonds designated "San Diego Unified School District Public School Building Corporation Bonds, Series D" (the "Bonds of Series D") of San Diego Unified School District Public School Building Corporation (the "Corporation") issued under an indenture, dated as of July 1, 1975, as amended (the "Indenture"), between the Corporation and California First Bank, as trustee (the "Trustee"), as successor to Southern California First National Bank as trustee under said Indenture, and a fourth supplemental indenture, dated as of December 1, 1979, between the Corporation and the Trustee (said indenture, as amended, and said fourth supplemental indenture being herein collectively called the "Indenture"). The Bonds of Series D are part of a duly authorized issue of bonds of the Corporation not limited in aggregate principal amount and designated as its "San Diego Unified School District Public School Building Corporation Bonds" (the "Bonds").

The Bonds of Series D are authorized to be issued in coupon form in the denomination of \$5,000 each or in fully registered form in the denomination of \$5,000 each or any authorized multiple thereof not exceeding the aggregate principal amount of Bonds of Series D maturing in any one year. Coupon Bonds of Series D and fully registered Bonds of Series D are interchangeable at the principal office of the Trustee in San Diego, California, upon the terms and conditions set forth in the Indenture. The Bonds of Series D are dated December 1, 1979. The coupon Bonds of Series D are numbered, and the Bonds of Series D mature on July 1 in the

years and amounts and bear interest payable on July 1, 1980 and semiannually thereafter on January 1 and July 1 in each year at the rates, as set forth in the following schedule:

Coupon Bond Numbers (inclusive) (All bearing prefix "D")	Maturity Date July 1	Principal Amount	Interest Rate
1-39	1983	\$195,000	
40-82	1984	215,000	
83-128	1985	230,000	
129-178	1986	250,000	
179-232	1987	270,000	
233-290	1988	290,000	
291-352	1989	310,000	
353-419	1990	335,000	
420-492	1991	365,000	
493-571	1992	395,000	
572-656	1993	425,000	
657-748	1994	460,000	
749-847	1995	495,000	
848-954	1996	535,000	
955-1070	1997	580,000	
1071-1196	1998	630,000	
1197-1332	1999	680,000	
1333-1480	2000	740,000	

Both the principal of and interest on the Bonds of Series D are payable in lawful money of the United States of America at the principal office of the Trustee in San Diego, California. Such principal and interest, in the case of coupon Bonds of Series D, are also payable, at the option of the holder, at the principal office of The Chase Manhattan Bank, National Association, in New York, New York, or at the office of Continental Illinois National Bank and Trust Company of Chicago, in Chicago, Illinois, or at the principal office of United California Bank, in San Francisco, California, or at the principal office of United California Bank, in Los Angeles, California.

The Bonds of Series D are subject to redemption prior to their respective stated maturities, as provided in the Indenture, from proceeds of insurance or eminent domain proceedings. Bonds of Series D are also subject to redemption prior to their respective stated maturities, at the option of the Corporation, as a whole or in part, as set forth in said fourth supplemental indenture, on any date, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, if by reason of a

final judgment or court order prior to final judgment entered in the lawsuit entitled Carlin et al. vs. Board of Education of the San Diego Unified School District, Superior Court of the State of California, County of San Diego, Case No. 303800, construction of Project Phase IV (the project being financed in part from the proceeds of the Bonds of Series D) is stopped for a period of at least thirty days. Bonds of Series D maturing on or prior to July 1, 1994 are not otherwise subject to redemption prior to their respective stated maturities. Bonds of Series D maturing on or after July 1, 1995 are also subject to redemption prior to their respective stated maturities, at the option of the Corporation, upon the terms stated in the Bonds of Series D and in the Indenture.

The Indenture authorizes the issuance of additional series of Bonds, which will rank equally as to security with the Bonds of Series D, regardless of the time of their issuance, upon the terms and subject to the conditions set forth in the Indenture.

The Indenture and the rights and obligations of the Corporation and the holders and registered owners of the Bonds, including the Bonds of Series D, may be modified or amended in the manner and subject to the restrictions and limitations contained in the Indenture.

In our opinion, such proceedings show lawful authority for the issuance of the Bonds of Series D under the laws of the State of California now in force, and the Bonds of Series D have been duly authorized and constitute valid, legal and binding obligations of the Corporation payable in accordance with their terms and secured as provided in the Indenture.

We are further of the opinion that:

1. The Corporation is duly organized and existing under the laws of the State of California as a nonprofit corporation.

2. Said indenture dated as of July 1, 1975, as amended, and said fourth supplemental indenture dated as of December 1, 1979 have been duly and legally authorized, executed, delivered and recorded and are valid, legal and binding obligations of the Corporation. Said fourth supplemental indenture constitutes a first lien upon the trust estate more particularly described therein, subject only to the Facility Lease (Project Phase IV) from the Corporation to the District hereinafter mentioned and the

other exceptions set forth in the policy of title insurance, issued by Title Insurance and Trust Company, insuring the Trustee and dated the date of this opinion.

3. The lease from the San Diego Unified School District (the "District") to the Corporation, dated as of October 1, 1977 and designated "Site Lease (Project Phase IV)," and the lease from the Corporation to the District, dated as of October 1, 1977 and designated "Facility Lease (Project Phase IV)," as amended by that instrument, dated as of December 1, 1979 and designated "First Amendment to Facility Lease (Project Phase IV)" (said Facility Lease (Project Phase IV) and said First Amendment to Facility Lease (Project Phase IV) being here collectively called the "Facility Lease (Project Phase IV)"), have been duly authorized, executed and delivered and have been duly recorded and constitute legal, valid and binding instruments. The obligation of the District to pay each year's rentals during the term of the Facility Lease (Project Phase IV) will be valid and enforceable in accordance with the terms of the Facility Lease (Project Phase IV), subject to the limitations on legal remedies against school districts in the State of California. The rentals payable by the District to the Corporation under the terms of the Facility Lease (Project Phase IV) (together with the rentals payable under the lease from the Corporation to the District, dated as of July 1, 1975 and designated "Facility Lease (Project Phase I)," as amended, the lease from the Corporation to the District, dated as of October 1, 1975 and designated "Facility Lease (Project Phase II)," as amended, and the lease from the Corporation to the District, dated as of September 1, 1977 and designated "Facility Lease (Project Phase III)," constitute the primary source of funds of the Corporation for the payment of the Bonds, including the Bonds of Series D, and such rentals are payable only from funds of the District legally available therefor.

4. Interest on the Bonds of Series D is exempt from federal income taxes under existing laws, rulings, regulations and court decisions, and a specific ruling of the United States Treasury Department to the Corporation, and under said ruling the income of the Corporation will not be subject to federal income taxes. Interest payable on the Bonds of Series D is also exempt from State of California personal income taxes under existing laws, and the Bonds of Series D are exempt from all State of California taxes except inheritance, estate, gift and franchise taxes.

5. In connection with the opinions expressed herein, the rights under the Bonds of Series D, the Indenture, the Site Lease (Project Phase IV), the Facility Lease

(Project Phase I), as amended, the Facility Lease (Project Phase II), as amended, the Facility Lease (Project Phase III), and the Facility Lease (Project Phase IV), as amended, are subject to laws relating to bankruptcy or insolvency or other laws affecting creditors' rights.

We remain, dear sirs,

Faithfully yours,

ORRICK, HERRINGTON, ROWLEY &
SUTCLIFFE

per

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